

# **RURAL LIQUID FERTILISERS ASIA LIMITED**

ACN 622 055 216

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## **Corporate Governance Policies**

### **Audit and Risk Committee Charter**

June 2019 V1.1



## 1. Composition of the Audit and Risk Committee

The full Board of Rural Liquid Fertilisers Asia Limited (Company) shall appoint the members of the Audit and Risk Committee and review the composition of the Audit and Risk Committee at least annually. The Audit and Risk Committee will comprise:

- (a) at least three members, all of whom are financially literate (that is, able to read and understand financial statements);
- (b) where possible, only non-executive directors of the Board, a majority of whom should, if practical, be independent;
- (c) an independent chairman appointed by the Board and who is not the Chairman of the Board; and
- (d) where possible, at least one member with relevant qualifications and experience. (that is, a qualified accountant or other finance professional with experience of financial and accounting matters).

Some members of the Audit and Risk Committee should have an understanding of the industry in which the Company operates.

From time to time, non-Audit and Risk Committee members may be invited to attend Audit and Risk Committee meetings if it is considered appropriate.

## 2. Role of the Audit and Risk Committee

The Audit and Risk Committee's role is to:

- (a) monitor and review the integrity of the financial reporting of the Company, reviewing significant financial reporting judgments;
- (b) review the Company's internal financial control system and risk management systems including the Company's Risk Management and Internal Compliance and Control policy;
- (c) monitor, review and oversee the external audit function including matters concerning appointment and remuneration, independence and non-audit services, taking into account the matters set out in Schedule 2;
- (d) monitor and review compliance with the Company's Code of Conduct; and
- (e) perform such other functions as assigned by law or the Company's Constitution.

## 3. Meetings

- (a) The Audit and Risk Committee shall meet at least half yearly, with further meetings on an as required basis.
- (b) The minimum quorum for an Audit and Risk Committee meeting is two members.
- (c) The secretary of the Audit and Risk Committee is the Company Secretary.
- (d) Minutes of each Audit and Risk Committee meeting are to be kept and should ordinarily be included in the papers for the next Board meeting.
- (e) Audit and Risk Committee meetings are to be governed by the same rules as set out in the Company's Constitution, as they apply to meetings of the Board.

## 4. Authority and Resources

- (a) The Audit and Risk Committee may seek provision of educational information on accounting policies and other financial topics relevant to the Company to assist in fulfilling their duties.
- (b) The Audit and Risk Committee may seek explanations and additional information from senior management and employees of the Company. Further, the Audit and Risk Committee may seek explanations and additional information from the Company's external auditors, without management present, when required.
- (c) When considered necessary or appropriate, the Audit and Risk Committee may conduct or authorise investigations and may retain independent legal, accounting or other advisors at the Company's expense.

## 5. Reporting to the Board and Shareholders

Audit and Risk Committee should report to the Board, at least annually, on all matters relevant to the Audit and Risk Committee's role and responsibilities, including the following matters:

- (a) assessment of whether external reporting is consistent with the Audit and Risk Committee members' information and knowledge and is adequate for shareholder needs;
- (b) assessment of the management processes supporting external reporting;
- (c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (d) recommendations for the appointment or, if necessary, the removal of the external auditor;
- (e) assessment of the performance and independence of the external auditors. Where the external auditor provides non-audit services, the report should state whether the Audit and Risk Committee is satisfied that provision of those services has not compromised the auditor's independence;
- (f) assessment of the performance and objectivity of the internal audit function;
- (g) the results of the Audit and Risk Committee's review of risk management and internal control systems and the adequacy of the Company's processes for managing risk; and
- (h) recommendations for the appointment, or if necessary, the dismissal of the head of internal audit.
- (i) The Chair of the Audit and Risk Committee is to be present at the annual general meeting to answer questions, through the Chair of the Board.

## 6. Responsibilities

Annual responsibilities of the Audit and Risk Committee are as set out in the Audit and Risk Committee Charter – Annual Action Points contained in Schedule 1.

### Schedule 1 – Audit and Risk Committee Charter – Annual Action Points

#### 1. Financial Reporting and Internal Controls

- (a) Review half-year, annual and, if applicable, quarterly financial statements.
- (b) Assess management's selection of accounting policies and principles.
- (c) Consider the external audit of the financial statements and the external auditor's report thereon including an assessment of whether external reporting is consistent with the Audit and Risk Committee members' information and knowledge.
- (d) Consider internal controls including the Company's policies and procedures to assess, monitor and manage financial risks (and other business risks if authorised).
- (e) Assess if the external auditor's report is adequate for shareholder needs.

## 2. Annual meeting with External Auditor

- (a) Discuss the Company's choice of accounting policies and methods, and any recommended changes.
- (b) Discuss the adequacy and effectiveness of the Company's internal controls.
- (c) Discuss any significant findings and recommendations of the external auditor and management's response thereto.
- (d) Discuss any difficulties of disputes with management encountered during the course of the audit including any restrictions or access to required information.

## 3. External Auditor

- (a) Review the Company's procedures regarding the external auditor including the matters set out in Schedule 2.
- (b) Make recommendations to the Board on the appointment, re-appointment or replacement of the external auditor and the terms on which the external auditor is engaged.
- (c) Establish/review permissible services that the external auditor may perform for the Company and pre-approve all audit/non-audit services.
- (d) Confirm the independence of the external auditor, including reviewing the external auditor's non-audit services and related fees.
- (e) Assess the overall performance of the external auditor.

## 4. Internal Communications and Reporting

Provide the report described in clause 55 of the Audit and Risk Committee Charter.

## 5. Risk Management

- (a) Approve management's overall risk management strategy for the Company and ensure the required actions are resourced appropriately.
- (b) Ensure that the Company identifies, reviews and regularly updates the profile of the principal strategic, operational and financial risks to which it is exposed and has assessed the appropriateness of the steps the Company has taken to manage these risks.
- (c) Develops a risk profile describing the material risks facing the Company and review trends on the risk profile, reports on specific risks and the status of the risk management process.
- (d) Monitor performance of management in implementing risk management responses and internal control rectification activities and ensure that there are appropriate systems for identifying and monitoring risks in place and that these are operating as intended.
- (e) Review the effectiveness of the Company's implementation of the risk management system.

## 6. Other

- (a) Verify the composition of the Audit and Risk Committee function is in accordance with the Audit and Risk Committee Charter.
- (b) Review the independence of each Audit and Risk Committee member based on the Company's policy on assessing the independence of Directors in the Board Charter.
- (c) Review and assess the adequacy of the Audit and Risk Committee Charter and Action Points and recommend to the Board for its approval any modifications to this Charter as considered necessary.
- (d) Develop and oversee procedures for treating complaints or employee concerns received by the Company regarding accounting, internal accounting controls, auditing matters and breaches of the Company's Code of Conduct.

## Schedule 2 – Procedure for selection and appointment of external auditor

### 1. Introduction

The Board is responsible for the preliminary appointment of the external auditor which is to be approved by shareholders at the next annual general meeting.

Following this appointment, the Audit and Risk Committee conducts the selection process and recommends a preferred external auditor to the Board. The Board may endorse the external auditor recommended by the Audit and Risk Committee and appoint the auditor. Alternatively, the Board may wish to review the recommendation of the Audit and Risk Committee.

At the request of the Audit and Risk Committee, the chief financial officer and/or chief executive officer may assist the Audit and Risk Committee in the selection and appointment process including by proposal of an external auditor, together with a written supporting submission.

### 2. Tender

#### (a) Request for submissions

If the Audit and Risk Committee elects to undertake a tender process, the chief executive officer or chief financial officer will prepare or cause to be prepared a draft request for submissions that will be reviewed for approval by the Audit and Risk Committee (with such changes as it considers appropriate).

The request should contain sufficient information to enable a proposal and fee estimate to be given to the Company. The request should include information about the Company, its operations, its key personnel, its structure, its financials and any other relevant information.

The chief executive officer or chief financial officer will arrange for candidates to meet with a selection panel appointed by the Audit and Risk Committee.

#### (b) Selection Panel

The selection panel will comprise nominated members of the Audit and Risk Committee, and any other person the Audit and Risk Committee considers appropriate to assist it to assess the suitability of the external auditor.

### 3. Selection Criteria

The preferred external auditor should best satisfy the selection criteria identified by the Audit and Risk Committee including:

#### (a) Fees

A candidate must provide a firm fee quotation for its audit services. Price will be only one of the relevant factors in the selection of a preferred external auditor.

#### (b) Independence

A candidate must satisfy the Audit and Risk Committee that it is independent and outline the procedures it has in place to maintain its independence.

The external auditor must be independent from, and be seen to be independent from, the Company.

In monitoring external auditor independence, the Audit and Risk Committee will have regard to the following principles:

- (i) monitor the number of former employees of the external auditor who were involved in auditing the Company and who are currently employed in senior financial positions in the Company, and assess whether this impairs or appears to impair the auditor's judgement or independence in respect of the Company. An individual auditor who was engaged by the external auditor and participated in the Company's audit shall be precluded from employment as chief executive officer or chief financial officer of the Company for a period of at least 12 months from the time of the audit; and
- (ii) consider whether taken as a whole, the various relationships between the Company and the external auditor and the economic importance of the Company (in terms of fees paid to the external auditor for the audit as well as fees paid to the external auditor for the provision of any non-audit services) to the external audit impair or appear to impair the auditor's judgement or independence in respect of the Company.

**(c) Scope of audit/issues resolution**

A candidate must outline its response to the scope of audit in the request for submissions and any proposed procedures to address any issue of material significance or matter of disagreement with the Company's management.

The external auditor and the chief financial officer will be required to disclose to the Audit and Risk Committee all such issues of material significance and all matters of disagreement, whether resolved or unresolved.

**(d) Non-audit work**

A candidate must detail its approach to the provision of non-audit related services to the Company. Generally, such work should be at most negligible.

If proposed otherwise, the Audit and Risk Committee must consider the circumstances in which the Company might use the external auditor for non-audit services. Matters to be considered include the extent, scope and potential value of non-audit fees and any circumstance where the external auditor may be required to review and rely upon work conducted by it in a non-audit capacity.

The scope of non-audit work must not be allowed to impinge upon the external auditor's independence (refer also to paragraph 4 below).

**(e) Other matters**

The selection criteria may include such other matters as the Audit and Risk Committee thinks fit.

**4. Policy on audit and non-audit services**

The Audit and Risk Committee will develop a policy that sets out the circumstances in which the Company may use the external auditor for other services. A copy of this policy will be provided to the external auditor.

The policy will be based on the following principles:

- (a) the external auditor may provide audit and audit-related services that, while outside the scope of the statutory audit, are consistent with the role of auditor;
- (b) the external auditor should not provide services that are perceived to be materially in conflict with the role of auditor;
- (c) the external auditor may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditor, subject to the approval of the Audit and Risk Committee;
- (d) exceptions may be made to the policy (with specific Board approval) where the variation is in the interests of the Company and arrangements are put in place to preserve the integrity of the external audit process.

#### **5. Rotation of external audit engagement partner**

The Audit and Risk Committee will ensure that the external auditor has in place arrangements with regard to any legislative or regulatory requirements for rotation of the audit engagement partner.

The audit engagement partner for the audit must rotate at least every 5 years. At least two years must expire before the Audit Partner can again be involved in the audit of the Company.

#### **6. Review of audit arrangements**

The Audit and Risk Committee will periodically review the external auditor's performance, at least annually. As part of this review the Audit and Risk Committee will obtain feedback from the chief financial officer and other members of senior management regarding the quality of the audit service.