



BEGA CHEESE LIMITED (ACN 008 358 503)

AUDIT & RISK COMMITTEE CHARTER

1. OBJECTIVES

The aim of the Audit & Risk Committee (**Committee**) is to focus on the financial position and performance of the consolidated group of Bega Cheese Limited and the entities this represents (**Bega Cheese**) in support of the Board of directors (**Board**). These responsibilities include reviewing the effectiveness of Bega Cheese's internal control and risk management systems, including oversight of the Governance & Assurance function and the Enterprise Wide Risk Management function.

The responsibilities of the Committee are set out in this Charter, which is approved by the Board and reviewed annually.

2. AUTHORITY

The Board authorises the Committee to perform all activities within the scope of its Charter including:

- a. requesting reports to be prepared for review by the Committee;
- b. unrestricted access to all employees, company information, advisers and the external auditors;
- c. requesting the preparation and maintenance of policies and procedures;
- d. obtaining external advice on matters relevant to the responsibilities of the Committee;
- e. administering the process for the appointment and management of the external auditors; and
- f. monitoring the effectiveness of mechanisms for the reporting of risk, financial, taxation and internal control information by staff and external stakeholders to the Committee.

3. ORGANISATION

3.1. Membership

The Board is responsible for all appointments to the Committee, including the Chair of the Committee. No limit is to be set on duration of office except as decided by the Board.

The Chairperson of the Board is to ensure that there is adequate expertise to discharge the responsibilities of the Committee – either through its members or the use of external advice. Each member of the Committee should have skills appropriate to their role and at least one member must have accounting or related financial experience.

The Committee must consist of at least three non-executive directors. No executive directors may be members of the Committee and it must include a majority of independent directors. The Chair of the Committee must be an independent director and cannot be the Chairperson of the Board.

The Company Secretary will act as Secretary to the Committee.

3.2. Meetings

Committee members and the Company Secretary are entitled to attend all meetings and may invite other people to attend as required.

Meetings are to be held at least four times per year, with special meetings called as necessary on direction of the Board or the Chair of the Audit & Risk Committee.

A rolling timetable will be agreed with the Committee to plan:

- a. meetings with the external auditors at least twice per year; and
- b. review of the half yearly and annual financial statements;

As a minimum, the Committee are to recommend approval of the draft financial statements to the Board.

All Committee members should attend each meeting of the Committee. Should a member not be available to attend a meeting of the Committee, they are to notify the Chairperson of the Committee. A quorum of any meeting will comprise at least two non-executive directors.

The Company Secretary will circulate an agenda and supporting papers in advance of each meeting and make other arrangements as directed to facilitate information being provided to the Committee.

Minutes will be taken at each meeting by the Company Secretary, circulated to the Board and the Committee, and made available for review by the external auditors.

3.3. Reporting

The Committee will review the Committee Charter annually. Any changes to the Charter must be approved by the Board. The Charter is publicly available on the Bega Cheese website in accordance with ASX Corporate Governance Council recommendations.

The Committee will regularly update the Board is regularly updated on the activities of the Committee and significant issues are brought to the Board's attention on a timely basis.

The Chair of the Committee will report on the effectiveness of the Committee against its Charter through an annual review with the Chairperson of the Board.

4. ROLES AND RESPONSIBILITIES

4.1. Financial reporting

- a) To review and assess management accounts and other financial reporting procedures with a view the procedures being of of sufficient balance, transparency and integrity to provide accurate, meaningful and relevant financial information.
- b) To review and assess whether the Board is provided with adequate financial information on a regular basis as to the financial position, affairs and operations of Bega Cheese, which can be relied upon by the Board to make informed decisions in setting policy.
- c) Oversee the process for preparation of the annual and half-yearly financial statements including a detailed understanding of key risks and accounting issues that underpin the financial statements.
- d) To review the accounting policies as appropriate and review the adoption of any new requirements. This includes the acceptability of and correct accounting treatment for and disclosure of significant transactions which are not part of Bega Cheese's normal course of business that present a substantial material risk to the organisation's financial performance.

- e) Consider the compliance with accounting policies and standards, compliance with statutory requirements and adequacy of disclosure.
- f) Meet with the external auditor to review the outcomes of the audit.
- g) Review and assess whether the financial statements as a whole are representative of Bega Cheese's position and is understandable by the shareholders.
- h) Oversee the process for review of other financial information to be externally released and ensure it is consistent with other financial information, as directed by the Board as required by the Corporations Act, ASX Listing Rules and other regulatory requirements.

4.2. Risk management and internal controls

- a) Understand the risk and internal control systems operated by Bega Cheese and the process for assessing their design and effectiveness, including managing compliance.
- b) Assist the Board in determining the risk tolerance acceptable to Bega Cheese and its stakeholders.
- c) Assess the risk profile of Bega Cheese relative to its risk tolerance and report the results to the Board along with remedial recommendations.
- d) Monitor and review the risk register at least annually assess the degree to which material risks are being managed effectively.
- e) Review the status of all actual and threatened litigation, material disputes and insurance claims involving Bega Cheese.
- f) Review and assess the standard of corporate conduct in respect of potential conflicts of interest.
- g) Review and assess the propriety of any related party transaction.
- h) Review and recommend to the Board the Risk Management Policy Statement, the Treasury Management Policy, the Tax Risk Management Policy and any other significant risk management policies the Committee considers necessary.
- i) Oversee and assess internal controls, policies and procedures to complement management's delegated responsibilities for these functions, including assessment of the adequacy of the internal controls, policies and procedures. The Committee will also assess whether there are adequate resources provided for management to complete its delegated responsibilities.
- j) Review the appropriateness of Bega Cheese's business continuity and disaster recovery plans.
- k) Review the annual insurance process and adequacy of insurance coverage.
- l) Act on internal and external information directed to the Committee that requires the strengthening or review of internal controls.

- m) Review the effectiveness of the systems to monitor compliance with laws through reviewing the findings of the Governance & Assurance function and the financial impact of risks identified through the financial reporting processes.
- n) Assess whether that all material financial and compliance risks are adequately reflected in the financial statements.
- o) Review how management is managing critical IT systems and steps to ensure system integrity, and the plans in place to protect against computer fraud or misuse.
- p) Be consulted prior to the appointment or dismissal of the Chief Financial Officer, Internal Auditor and the Company Secretary.

4.3. Taxation

Bega Cheese has a low risk tolerance in relation to taxation. This means, for material transactions where there is uncertainty arising from the complex application of tax laws, Bega Cheese will adopt the tax position most likely to be upheld by the Australian Taxation Office and/or the Courts. Bega Cheese manages taxes with the objective that all tax liabilities properly due under the law are correctly recorded, accounted for and paid. In providing assurance to the Board in relation to taxation, the Committee shall:

- a) call upon management to advise of any relevant taxation issues that arise.
- b) confirm effective policies and processes are in place to manage taxation risks.
- c) confirm taxation risks are appropriately reported as part of the risk management framework.
- d) verify the effective tax rate of the business, including whether the amount of tax paid in a given year, aligns with business results and where relevant, the reasons for any material misalignment is reported.
- e) assess any tax positions taken by management with external taxation advice obtained where appropriate.
- f) assess and seek external taxation advice where appropriate for any significant transactions undertaken by Bega Cheese.

4.4. Oversight of the Governance & Assurance Function

- a) Periodically review and approve with management, the Governance & Assurance Charter.
- b) Approve the annual Governance & Assurance audit plans and oversee progress of their reviews and implementation of findings. Review the adequacy of the resourcing of the Governance & Assurance function to deliver the agreed programme of work.
- c) Oversee and appraise at least annually the independence of the Governance & Assurance function, provide feedback to management on its performance.
- d) On receipt of findings from the Governance and Assurance function, approve the implementation plans to remedy any major control weakness identified.

4.5. Liaison with the external auditor

- a) Make recommendations to the Board on the selection and appointment of external auditors.
- b) Administer the procedures for the evaluation and liaison of external auditors including the rotation of external audit engagement partners. In accordance with the *Corporations Act 2001* (Cth), the lead partner and the review partner of the external auditor will be rotated at least every five years.
- c) Assess whether the relationship between the auditor and Bega Cheese remains independent including assessment of the provision of non-audit services.
- d) Review the scope of audit work focussing on known changes in Bega Cheese's structure and internal controls and potential areas of high financial risk.
- e) Assess any findings made during the course of the audit are consistent with the Committee's information and knowledge, adequate for shareholder needs and received, discussed and acted on by management in an appropriate time frame.
- f) Discuss accounting policies applied in the financial statements and whether they are aggressive, balanced or conservative.
- g) Meet separately with the external auditor at least annually to ensure that any matters that need to be raised are addressed.
- h) Review all representation letters signed by management and ensure that the information provided is complete and appropriate.

4.6. Compliance with laws, regulations, internal policies and industry standards

Review the effectiveness of the system for monitoring compliance with laws, regulations, internal policies and industry standards and the results of management's investigation and follow-up (including disciplinary action) of fraudulent acts or non-compliance.

4.7. External advice

The Committee has access to internal and external resources, and may seek the advice of Bega Cheese's auditors, solicitors or such other independent advisers, consultants or specialists as to any matter pertaining to the powers or responsibilities of the Committee, where the Committee considers such advice necessary or appropriate.

5. INTERNAL AUDIT

- a) Internal audit is a key responsibility of the Governance and Assurance function within Bega Cheese.
- b) The role of the internal audit function is to provide independent and objective assurance on the adequacy and effectiveness of Bega Cheese's systems for risk management, internal control and governance, along with recommendations to improve the effectiveness and efficiency of these systems and processes.

- c) The Internal Audit Manager and the Senior Internal Auditor prepare the Annual Governance & Assurance Audit Plan detailing the activities to be undertaken for each year, having regard to the key organisational risks in the business (as determined in accordance with the Enterprise Wide Risk Management Framework), material financial risks and activities, the length of time since key financial and other risks were last audited, as well as specific areas of focus identified by management or the Committee each year. The Committee reviews and approves the Annual Governance & Assurance Audit Plan to ensure that it is appropriate and reviews the results of any significant internal audits and issues raised.
- d) The Committee is to co-ordinate between Internal Audit and the external auditor.
- e) The Internal Audit Manager, reporting to the Company Secretary, CFO, CEO and Chair of the Committee, oversees internal audit activities and ensures they are appropriately resourced. The Governance and Assurance function, including the Internal Audit Manager, also has free and unrestricted access to the Committee and the Board.
- f) The Committee is to review the performance of the Internal Audit function.

Review history

Date of recommendation by the Audit Committee: 6 April 2010

Date of Approval by the Board: 8 April 2010

Date of Approval by the Board after third review date: July 2013

First Review date May 2011

Second review date May 2012

Third review date April 2013

Fourth review date April 2014

Fifth review date July 2014

Sixth review date June 2015 – approved by the Board 22 June 2015

Seventh review date December 2016 – approved by the Board 19 December 2016

Eighth review date February 2018 – approved by the Board 27 February 2018

Ninth review date December 2019 – no changes identified.

Tenth review date February 2020 – approved by the Board 25 February 2020