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**MCPHERSON'S LIMITED**  
**AUDIT RISK MANAGEMENT AND COMPLIANCE COMMITTEE CHARTER**

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**June 2021**

## **AUDIT RISK MANAGEMENT AND COMPLIANCE COMMITTEE CHARTER**

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## **AUDIT RISK MANAGEMENT AND COMPLIANCE COMMITTEE CHARTER**

### **1. Primary Purpose**

The Audit Risk Management and Compliance Committee ("Audit Committee") is established by the Board of Directors to oversee, review, evaluate and make recommendations to the Board in relation to:

- The Company's risk management, compliance and control environments;
- Both financial and non-financial reporting; and
- The internal and external audit functions.

### **2. Membership and Operation**

#### **2.1 Audit Committee Membership**

- The Audit Committee will consist of a minimum of three members.
- All members must be non-executive Directors.
- The majority of members of the Audit Committee must be independent Directors as defined in the Board Charter.

#### **2.2 Audit Committee Chairman**

The Board will appoint the Audit Committee Chairman who must be an independent non-executive Director and not be the Chairman of the Board.

#### **2.3 Quorum**

The quorum for any Audit Committee meeting shall be two members.

#### **2.4 Meetings**

- Any non-executive Director may attend a meeting of the Audit Committee for the purposes of discussion but is not entitled to vote.
- The Committee is to meet at least 3 times per year, with 2 of the meetings to coincide with the review of the half-yearly and annual accounts.
- Audit Committee members and all other non-executive Directors will be provided with Audit Committee meeting papers by management in relation to meeting agenda items.

## **2.5 Attendance at Meetings**

- The Managing Director and the Chief Financial Officer are to be invited to attend meetings at the discretion of the Committee.
- The external auditor will be asked to be present at meetings convened to review financial statements and the procedures leading to their preparation, and at other times at the discretion of the Committee.
- The internal auditor should be present at all meetings subject to the discretion of the Committee.
- The Audit Committee Secretary should attend all meetings to minute proceedings, subject to the discretion of the Committee.

## **2.6 Appointment of Audit Committee Secretary**

The Company Secretary shall be the Audit Committee Secretary.

## **2.7 Right to Access Information, the Auditors and Management**

The Audit Committee is entitled to consult with expert advisers and seek expert advice at the expense of McPherson's where it considers it necessary to carry out its duties.

The Audit Committee will have unlimited rights to access Company information, the internal and external auditors and to senior management. The Audit Committee will also meet separately with the internal auditors and/or the external auditors without management being present.

At the discretion of the Audit Committee Chairman, separate meetings may also be held with any member of Company management.

## **2.8 Reporting to the Board**

The Audit Committee will report to the Board on all matters relating to the Audit Committee's roles and responsibilities as outlined in this Charter.

Reports to the Board will include:

- The Audit Committee minutes;
- Any formal recommendations of the Audit Committee requiring Board approval;
- General information about the audit process including the results of internal and external audits;
- Any determination by the Audit Committee in relation to the external auditor's independence; and
- An assessment of whether external reporting is consistent with committee members' information and knowledge and its adequacy for shareholder needs;

Reports to the Board may include:

- Assessment of the management processes supporting external reporting;
- Procedures for the selection and appointment of the external auditor and the rotation of external audit engagement partners;
- Recommendations for the appointment or removal of an auditor;
- Assessment of the performance and independence of the external auditors and whether the Audit Committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
- Assessment of the performance and objectivity of the internal audit function; the results of its review of risk management, internal compliance and control systems;
- Written statements from the Managing Director and the Chief Financial Officer in relation to the proper maintenance of the Company's financial records, compliance with accounting standards or any other statement recommended by the ASX Corporate Governance Council in its Corporate Governance Principles and Recommendations; and
- Details of the annual performance review of the Audit Committee and its outcome undertaken in accordance with section 4 of this Charter.

### **3. Roles and Responsibilities**

#### **3.1 Risk Management, Internal Control and Compliance**

The Audit Committee has a responsibility in the first instance to assess the adequacy of the Company's risk management, internal control and compliance systems.

##### *Risk Management*

The role of the Audit Committee will include the following elements:

- Review the Company's risk management framework at least annually to satisfy itself that it continues to be sound, including with respect to contemporary and emerging risks (such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change);
- Determine the Company's risk appetite for each identified risk;
- Monitor and assess management's process for managing risk and how the Company's businesses apply the processes for managing risk;
- Monitor management's performance against the risk management framework, including whether it is operating within the risk appetite set by the Audit Committee or the Board;
- Review any material incidents involving fraud of a breakdown of the Company's risk controls and the adequacy of any resultant changes implemented;
- Receive reports from the internal auditor on their reviews of the adequacy of the Company's processes for managing risk;
- Receive reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks; and
- Make recommendations to the Board in relation to changes that should be made to the Company's risk management framework or to the risk appetite set by the Board;

### *Internal Control and Compliance*

The Audit Committee will review and evaluate the effectiveness of the entity's risk management, internal control and compliance system including:

- Compliance with Australian laws including trade practices laws and the Corporations Act 2001 (Cth);
- Compliance with the requirements of the Australian Tax Office, the Australian Securities and Investments Commission and the Australian Securities Exchange;
- Compliance with laws in each other jurisdiction in which the Company operates;
- Compliance with the Company's documented standards and Policies and Procedures, including the Risk Management Policy and Internal Control Framework;
- Ensuring the processes and procedures covering the Company's products and brand integrity are sound and operating at the highest level to optimise the safety of customers and consumers.
- Important judgments and accounting estimates reflected in the financial statements; and
- Overseeing the adequacy of the Company's insurance programme and levels of coverage, including reviewing annual policy renewals and having regard to the Company's business and associated insurable risks.

In addition the Audit Committee will:

- Ensure that where any deficiencies or breakdowns in internal control or procedures are identified, management takes prompt remedial action;
- Review the internal and external auditors' reports and post-audit management letters for any noted deficiencies or breaches in internal control requirements together with the adequacy of remedial actions proposed or implemented by management ;
- Assess whether management has adequate controls in place for unusual types of transactions that may carry more than an acceptable degree of risk;
- Consider the Company's compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations; and
- Review corporate governance related disclosures including the Company's annual Corporate Governance Statement. This should include the adequacy of disclosures relating to any material exposures to environmental (including climate change) or social risks.

The Audit Committee will meet periodically with management to understand and discuss the entity's control environment.

The Audit Committee will request views from both the internal and external auditors in order to form a comprehensive view on the adequacy and effectiveness of the internal control system.

### **3.2 Financial Reporting**

The Audit Committee has a responsibility to ensure the Company's financial statements reflect the understanding of the Committee members and otherwise provide a true and fair view of the financial position and financial performance of the Company.

*Accounting Policies*

- Management will provide information to the Audit Committee to allow the committee to:
  - Consider the appropriateness of the McPherson's accounting policies and principles and how those principles are applied; and
  - Ensure that accounting policies and principles are consistent with Accounting Standards.
- The Audit Committee will request:
  - Views from both the internal and external auditors in order to form a view on the Company's accounting policies and principles; and
  - An independent judgment in relation to the appropriateness of the accounting principles from the external auditor.

*Significant estimates, judgements and unusual transactions*

- Management will provide any necessary information to the Audit Committee to allow the Committee to:
  - Assess the significance and appropriateness of estimates, judgments and choices exercised by management in preparing the financial reports and statements, by evaluating the process and data management use in making material estimates and judgements;
  - To ensure that the Audit Committee is made aware of any significant or unusual transactions, including provisioning and abnormal charges and credits; and
  - Assess the appropriateness of accounting for and reporting of investments and joint ventures entered into by the Company.
- The Audit Committee will enquire of both the internal and external auditors in order to form a view of the basis of management conclusions and the reasonableness of their estimates.

*Quality of financial reporting*

- The external and internal auditors will provide information to the Audit Committee to allow the committee to assess information that affects the quality of financial reports including:
  - Actual and potential material audit adjustments;
  - Financial report disclosures;
  - Non-compliance with law; and
  - Internal control issues.

*Disclosure processes for financial reporting*

- Management will provide any necessary information to allow the Audit Committee to review and assess management processes for ensuring compliance with laws, regulations and accounting standards relating to external reporting.

*Recommendations on financial reports*

The Audit Committee will:

- Consider the information provided in conjunction with the above processes;
- Review the reports and feedback from the audit or audit review provided by the external auditor;
- Review the information provided by management in relation to accounting issues and the financial statements;
- Review the questionnaires and written statements from the Managing Director and the Chief Financial Officer; and
- Make recommendations to the Board in relation to the approval of the financial statements based on the committee's consideration and assessment of them.

The financial statements review processes set out above apply primarily to the Company's annual and half yearly financial statements which are subject to external audit and audit review respectively. However relevant aspects of the Committee's review processes are also to be applied to verify the integrity of any other periodic corporate reporting released to the market which are not subject to an audit or audit review, such as annual directors' reports.

### **3.3 External Audit**

*Appointment and Removal of the External Auditors*

- The Audit Committee will make recommendations to the Board on the appointment, and where necessary the removal of the external auditor.
- The audit engagement partner and any other key audit partner are required to rotate off the external audit at least every five years, with a minimum three-year "cooling off" period before being reappointed to the external audit team; and
- In making any recommendation to the Board, the Audit Committee will consider any suggestions by management that the external audit should be put out to tender..

*External Auditor's Fees*

The Audit Committee will undertake the following in connection with the external auditor's fees:

- Review the external auditor's fees in relation to the quality and scope of the audit with a view to ensuring that an effective, comprehensive and complete audit can be conducted for the fee;



- Prior to the commencement of each annual audit agree the terms of the engagement with the auditor;
- Review the fees payable to the auditor in relation to any non-audit work; and
- Make recommendations to the Board in relation to the appropriateness of the auditor's fees for audit and non-audit work.

*Review of Audit Plan and Audit Scope*

- The Audit Committee will invite the external auditor to attend Audit Committee meetings to review the audit plan, discuss audit results and consider the implications of the external audit findings for the control environment; and
- Together with the external auditor, review the scope and adequacy of the external audit particularly regarding any identified risks.

*Monitoring Management Responses*

- The Audit Committee will monitor management's responses to the recommendations made by the external auditors in their half year and annual post audit management letters.

*Relationship with External Audit*

- The Audit Committee will meet with the external auditors from time to time without management present;
- The external auditors have an unrestricted right to discuss any issues they deem necessary with the Audit Committee Chairman or if deemed necessary by the external auditors the Chairman of the Board; and
- The internal audit function will not be undertaken by the external auditors.

*Auditor Independence*

- The Audit Committee will review the external auditor's procedures for independence on an annual basis, together with any relationships or provision of non-audit services which may impair the external auditor's actual or perceived independence; and
- The Audit Committee will require the external auditors to confirm that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.

*Assessment of External Audit*

The Audit Committee will evaluate the overall effectiveness of the external audit function, including through the assessment of external audit plans and reports, and meetings with the external auditors.

### **3.4 Internal Audit**

#### *General*

- The Audit Committee will make recommendations to the Board on the structure of the internal audit function and whether that function should be undertaken internally by management (for instance under the direction of the Chief Financial Officer), or outsourced to an appropriate external party (such as a Chartered Accounting firm) ("Outsourced Internal Auditor").

#### *Appointment and Removal of the Outsourced Internal Auditors*

- The Audit Committee will make recommendations to the Board on the appointment, and where necessary the removal of the internal auditor.

#### *Internal Audit Function*

- The Audit Committee will review the internal auditor's engagement terms, and resourcing (including suitable qualifications, skills, experience and funding) and communicate the Audit Committee's expectations to the internal auditor in writing.
- The Audit Committee will regularly consider the independence and objectivity of the internal audit function.

#### *Quality and scope*

The Audit Committee will:

- Review the quality and scope of the internal audit plan and work programme;
- Consider the implications of the findings of internal audit to the control framework; and
- Ensure that the scope of the internal auditor's work is co-ordinated with that of external audit.

#### *Monitoring Internal Audit Recommendations*

- The Audit Committee will monitor and evaluate management's responses to internal audit's findings and recommendations.

#### *Assessment of internal audit*

- The Audit Committee will ensure that at least once every three years that there is a process undertaken for monitoring and assessing the effectiveness of the internal audit function.

#### ***Meetings with and Access by Internal Audit***

- The Audit Committee will meet with the internal auditor from time to time without management present; and

- The internal auditors have an unrestricted right to discuss any issues they deem necessary with both the Chairman of the Audit Committee and the Chairman of the Board.

#### **4. Performance Evaluation**

The Audit Committee will undertake a self-assessment process annually, which assesses the effectiveness of the Audit Committee.

#### **5. Document Control**

<b>Status</b>	Approved and Issued	
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