



## Audit and Finance Committee Charter

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### 1. INTRODUCTION

- 1.1 The Board of Directors of Mackay Sugar Limited (Mackay Sugar/the Company) and its wholly owned subsidiaries has established the Audit and Finance Committee (Committee).
- 1.2 The Committee is guided by the following Charter and the Constitution of the Company.

### 2. OBJECTIVES

- 2.1 The main objectives of the Committee are to:
  - a. review and report to the Board on the following matters:-
    - the management of business, financial and strategic risks.
    - integrity of statutory and financial reporting
    - external and internal audit effectiveness
    - appropriateness of internal controls and compliance
    - appropriateness of financial risk systems and compliance
    - application of corporate governance principals
    - the tax affairs of the Company
  - b. provide corporate governance oversight to the Finance Department's functions.
- 2.2 The Committee will also act as a "sounding board" and review the Finance Department's operating recommendations prior to submission to the Board.

### 3. AUTHORITY

- 3.1 The Committee is a committee of the Board and has no authority independent of the functions delegated to it, and is to report its findings and recommendations directly to the Board. The functions of the Committee shall not relieve the Board from any of its responsibilities.
- 3.2 There is to be no delegation of the Board's executive power to the Committee other than in respect of 6.14 and 6.15.
- 3.3 The Committee does not relieve the Board of their duties and responsibilities.

### 4. MEMBERSHIP OF THE COMMITTEE

- 4.1 The Committee will be appointed by the Board and shall comprise three non-executive Directors.
- 4.2 The Chairperson of the Committee is to be appointed by the Board. The Chairperson must be a Non Grower director and should not be the Chairperson of the Board.

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- 4.3 Members of the Committee should be financially literate and have familiarity with finance and accounting principles and understand the operational, financial and strategic risk profile of Mackay Sugar.
  - 4.4 The Board will formally approve all appointments and replacements to members of the Committee.
  - 4.5 All other Directors may attend any meeting of the Committee in an ex officio capacity.
  - 4.6 Appointment as a member of the Committee is automatically terminated when a Director ceases to be on the Board of Mackay Sugar Limited.
  - 4.7 The Chief Financial Officer and/or Chief Accountant must attend the meetings.
  - 4.8 The External Auditor and other Mackay Sugar staff members may be invited to attend the Committee meetings as required.

## **5. MEETINGS**

- 5.1 The Committee will meet at least eight times each year with two of the meetings held specifically to review the half-yearly and financial year-end accounts. The Committee will also meet at any other time as the Chairperson considers appropriate. Each Committee member is entitled to reasonable notice of a meeting.
- 5.2 The Committee may with the approval of the Chairperson conduct meetings by telephone or videoconference provided that all Committee members involved in the meeting are able to participate in the discussion.
- 5.3 The Chairperson will call a meeting of the Committee if so requested by any member of the Committee, the external auditor or the Chairperson of the Board.
- 5.4 A quorum for any meeting will comprise any two Committee members.
- 5.5 The Committee Secretary is responsible for the organisation of meetings. The Committee Secretary will prepare the relevant documents and forward this to the members prior to the meeting.
- 5.6 The Committee Secretary will prepare minutes of all Committee Meetings. A copy of the minutes will be included in the papers for the next meeting of the Board. Minutes of the Committee are to be approved by the Chairperson at the next Committee Meeting.

## **6. ROLE AND RESPONSIBILITIES**

The Committee's role is: -

- 6.1 to oversee the Company's business, financial and strategic risk management program.
- 6.2 ensure the Company has identified, reviewed and updated the profile of the principal risks and assessed the appropriateness of the steps management has taken to manage these risks.
- 6.3 provide the Board with an updated register of material business risks and advise on the effectiveness of the management of those risks.

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- 6.4 to assist the Board to verify the integrity of the Company's statutory and financial reporting, the effectiveness of external and internal audit functions, the appropriateness of the internal control structure, compliance with the financial risk management systems and the application of corporate governance principals.
  - 6.5 In discharging its role, the Committee will investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the company.
  - 6.6 The Committee will engage independent counsel and other advisors as it determines necessary to carry out its responsibilities.
  - 6.7 The Committee will review the six monthly reports compiled under the Whistleblower Policy.
  - 6.8 The Committee is to monitor management's application of Corporate Governance Guidelines and Principles in respect of the Finance Department's operating recommendations and reporting;
  - 6.9 Review operating and capital budgets of Mackay Sugar prior to submission to the Board for approval to ensure that the expenditure proposed is justified, sufficient to support sustainable safety, environment and energy efficiency initiatives, and maintenance and capital projects, and all within the Company's ability to fund these;
  - 6.10 Monitor the overall financial position of the Company in particular the ongoing cash and net debt position;
  - 6.11 Monitor the risk of exposure to lending rates and interest rate hedging policies and requirements;
  - 6.12 Review the relationships with the banking institutions;
  - 6.13 Consider strategies in supporting long term investment in Unsecured Notes;
  - 6.14 Monitor and set appropriate rates on Interest Bearing Deposits and Unsecured Notes;
  - 6.15 Monitor the grower's payment advance programs and set interim advance rates and PRS or CCS values as required.
  - 6.16 Monitor compliance with facility agreements, board policies and mandates;
  - 6.17 Monitor the pricing projections of Queensland Commodity Services and the impact on the Mackay Sugar Limited financial reports from the activities of any subsidiaries;
  - 6.18 Monitor the risk management process for financial default or any other default of any of the essential service providers, customers, partners or any other institution delivering a service to the Company;
  - 6.19 Oversight and review of the Company's Annual Insurance Renewal process.
  - 6.20 Consider and report to the Board on such other matters as the Board may refer to the Committee from time to time.

## **7. PRIMARY AUDIT DUTIES**

The Committee assists the Board in discharging its responsibilities to exercise due care, diligence and skill in the following areas:

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## 7.1 Statutory and Financial Reporting

- 7.1.1 The Committee will review and approve the Company's accounting policies and practices and monitor compliance with accounting standards that relate to the preparation of the accounts;
- 7.1.2 In undertaking reviews of financial and external reporting the Committee will do so from the shareholders' perspective and with a view to ensuring the information is adequate for their requirements; and
- 7.1.3 The Committee must review and recommend for approval by the Board the half yearly and annual reports and directors' report, and all other related reports which are required by any law, accounting standard or other regulatory body.
- 7.1.4 The Committee will be advised of all reports submitted to the Trustee and ASIC since the last Committee meeting.

## 7.2 External Audit

The Committee will

- 7.2.1 make recommendations to the Board on the appointment, reappointment or replacement of the external auditor;
- 7.2.2 monitor the effectiveness and independence of the external auditor;
- 7.2.3 review and approve the external audit plan and audit fees;
- 7.2.4 ensure that the audit approach covers all financial statements and reports where there is risk of material misstatement and that audit activities are carried out in the most effective, efficient and comprehensive manner; and
- 7.2.5 pre-approve all non-audit work to be performed by the auditors in the following financial year. Approve the costs relating to these tasks as well.

## 7.3 Internal Audit

The Committee will

- 7.3.1 oversee the effectiveness of the Company's internal controls.
- 7.3.2 review and monitor the outcome of any internal control developments.

## 7.4 Financial risk management

The Committee will

- 7.4.1 assist the Board in the identification and oversight of financial risk;
- 7.4.2 monitor and review the effectiveness of the financial risk and internal control systems implemented by management;
- 7.4.3 ensure that effective and efficient procedures are in place for managing and responding to financial risks;
- 7.4.4 review and approve the Company's business continuity plans, with specific reference to IT and other essential business systems;

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- 7.4.5 consider the processes applied by management to comply with the board approved policies for liquidity risk, funding risk, credit risk and interest rate risk;
  - 7.4.6 ensure management has appropriate controls in place for any transactions that may carry more than the usual degree of financial risk;
  - 7.4.7 monitor compliance to the policies and procedures set out above, and
  - 7.4.8 ensure that the processes for disclosure and regular reporting of significant financial risk is implemented.

## 7.5 Risk Management

- 7.5.1 Update the Board and make recommendations regarding matters relevant to the Committee's role and responsibilities in the oversight of risk management and make the appropriate recommendations;
- 7.5.2 Ensure the Board is aware of matters that may significantly impact the Company's affairs;
- 7.5.3 Monitor the performance of management in implementing risk management responses for the business, financial and strategic risks.

## 7.6 Corporate Governance

- 7.6.1 The Committee is responsible for the oversight of management's application of Corporate Governance Guidelines in respect of financial reporting and financial risk oversight;
- 7.6.2 The Committee provides oversight that Mackay Sugar and wholly owned subsidiaries is adequately managing financial risk relating to corporate governance and market integrity and is maintaining appropriate controls against conflicts of interest, fraud, errors and omissions; and
- 7.6.3 With the approval of the Board, the Committee will investigate other areas with the objective of enhancing protection against financial risk and corporate governance failures.

## 8. SCOPE, ACCESS, AUTHORITY

- 8.1 The Committee has direct access to Mackay Sugar's external auditor. It has the authority to seek any information it requires to carry out its duties from any officer or employee of Mackay Sugar.
- 8.2 The Committee has authority to consult any independent professional adviser it considers appropriate to assist in meeting its responsibilities. The cost for this advice will be for the Company's account.

## 9. REPORTING

- 9.1 The Chairperson of the Committee will provide a verbal report to the Board at the earliest possible Board meeting after each Committee meeting.
- 9.2 Additionally, the Chairperson will submit a written summary report to the Board annually.

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- 9.3 The Committee will prepare and submit to the Board any additional reports as appropriate.

**10. REVIEW OF CHARTER**

- 10.1 The Committee must review the Charter annually to ensure that it remains consistent with the Committee's authority, objectives and responsibilities.

- 10.2 Any changes to the Charter recommended by the Committee must be approved by the Board.

**11. SELF ASSESSMENT**

The Committee shall assess its effectiveness annually, with a view to ensuring that its performance accords with best practice.

**12. GENERAL**

- 12.1 The Committee is to operate within this Charter, but Committee members may raise any other matters considered appropriate.

- 12.3 The Committee shall review and reassess its structure and Charter on an annual basis.

28 September 2017