

# Audit Risk & Governance Committee Charter

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## Purpose

- a) The Audit Risk & Governance Committee (Committee) is a formally appointed Committee of the Board of Directors of the Australian Wine Consumers Co-operative Society Limited (the Co-operative) and is responsible to the Board. The Committee does not have executive powers or authority to implement action in areas over which management has responsibility. It does not have any delegated financial responsibility; nor does it have any management functions and is advisory to the Board only
- b) This Charter governs the operations of the Committee. The Committee shall review and reassess this Charter at least annually and obtain the approval of the Board of Directors.
- c) The Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relating to financial and accounting reporting practices, the independence of the external auditors, internal controls, risk management, corporate governance principles, best practice and legal compliance in order to facilitate decision making by the Board,
- d) In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, external auditors, the internal auditors, and management of the Co-operative and ensuring compliance with Co-operative Rules and any recommended changes, the Board Charter, Committee Charters and the Directors' Code of Conduct. including compliance with legislation and any legislative changes,
- e) In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the Co-operative and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties.

## Membership

The Committee shall consist of:

- (i) at least three, and up to five, members appointed by the Board;
  - (ii) the Chief Operating Officer (COO) or Co-operative Secretary, as appropriate; and
- a) an independent Chairman who is not either the Chairman or Deputy Chairman of the Board.

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- b) Membership of the Committee shall be subject to annual review by the Board. All Committee members shall be financially literate or become financially literate within a reasonable period of time.
- c) If a Committee member cannot attend a meeting, the Chairman may appoint an alternate member of the Board for that meeting.
- d) The Chairman of the Board of the Co-operative shall be entitled to attend all meetings of the Committee.

### Chairman

- a) The Committee members' shall appoint the Chairman of the Committee on an annual basis. The Committee Chairman shall have a strong finance, accounting and/or business background.
- b) If the Chairman is not present within 15 minutes after the time appointed for holding a Committee meeting, or if the Chairman is not willing to take the Chair, the Committee members may choose one of their number as Chairman of that meeting.
- c) The Chairman shall be required to call a meeting of the Committee if requested to do so by any Committee member, the Chief Executive Officer, the Chief Operating Officer, Secretary or the external auditors.

### Meetings

- a) The Committee shall meet as required but not less than three times per calendar year.
- b) A quorum shall be a number equal to:
  - (i) where the number of Committee members is an even number, half that number, plus one; and
  - (ii) where the number of Committee members is an odd number, half that number rounded up to the next whole number.
- c) Any questions arising at any meeting of the Committee shall be decided by a majority of votes and each Committee member shall have one vote. In the case of an equality of votes, the Chairman shall have the second or casting vote.
- d) The Committee shall be responsible for the conduct of its proceedings and shall ensure that its meetings are minuted and reported to the Board.

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## Duties and Responsibilities

### a) Understanding the Business

- (i) The Committee shall ensure it understands the Co-operative's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the Co-operative in the current environment.
- (ii) The primary responsibilities of the Committee in respect of Audit and Risk are:
  - to oversee the Co-operative's financial reporting process on behalf of the Board and report the results of its activities to the Board;
  - to oversee the independence of the external auditors;
  - to ensure an effective internal risk control framework is in place in the Co-operative including internal controls dealing with the efficiency and effectiveness of significant business processes;
  - that there is a framework in place to ensure the Co-operative meets all of its legal obligations; and
  - to assess the effectiveness of the Co-operative in managing its risks.
- (iii) The primary responsibilities of the Committee in respect of Corporate Governance are:
  - to provide appropriate advice and recommendations on matters relating to corporate governance principles and best practice. To perform this role, it shall review: on a continuing basis, the overall governance performance of the Co-operative;
  - on an annual basis, assist the Chairman with his review of the performance and effectiveness of the Board, and each of the Directors and the working relations between the Board and the executive. This review will also include such matters as Board agenda, material presented to the Board, frequency of meetings, professional development opportunities available to the Board and the structure and effectiveness of Board Committees;
  - on a continuing basis, the ongoing education of the Board and members of management in relation to matters of corporate governance,

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- compliance with the Directors' Code of Conduct; and it shall consider and make recommendations to the Board in respect of complaints of breaches in the Directors' Code of Conduct;
  - the Board's management of conflicts of interest;
  - the protection of material regarded as confidential on commercial or other grounds;
  - the Co-operative's policy on dealings with the media and government and its consistency with good corporate governance
- (iv) Whilst the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits.
- (v) The Committee shall perform such other functions as may be assigned to it by the Board from time to time

### **b) External Audit**

- (i) The Committee shall be directly responsible for making recommendations to the Board of Directors on the selection, appointment, reappointment or replacement or removal, remuneration, monitoring of the effectiveness and independence of the external auditors and for the rotation of external audit engagement partners, including the resolution of any disagreements between management and the auditor regarding financial reporting.
- (ii) The Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Co-operative.
- (iii) The Committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures. In addition, the Committee shall also review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level.
- (iv) The Committee shall review the annual financial statements and reports of the Co-operative in conjunction with the Chief Financial Officer, including ensuring that they are consistent with Committee members' information and knowledge and are adequate for members' needs.
- (v) The external auditor should provide the Committee with the results of their audit and any issues requiring resolution prior to finalisation of the accounts and recommendation of acceptance to the Board.

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- (vi) The external auditor must attend the annual general meeting and be available to answer member questions about the conduct of the audit and the preparation and content of the auditor's report.
- (vii) The Committee shall review all representation letters signed by management to ensure that the information provided is complete and appropriate. Also, the Committee shall discuss the results of the annual audit and any other matters required to be communicated to the Committee by the external auditors under generally accepted auditing standards.
- (viii) The Committee shall review all significant financial reports prior to recommending to the Board their release to the public.
- (ix) The Committee shall review accounting policies to ensure compliance with current laws, relevant regulations and accounting standards to assess potential financial reporting issues.
- (x) The Committee shall review and recommend to the Board all significant changes to accounting policy.
- (xi) The Committee shall ensure that no management restrictions are placed upon the external auditors; and
- (xii) The Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Co-operative regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees. The Committee shall receive corporate legal reports of evidence of a material violation of the Co-operatives Act (and, to the extent that it applies, the Corporations Act) or breaches of fiduciary duty.

### **c) Internal Audit & Risk Management**

- (i) The Committee shall oversee, in consultation with management and the internal auditors, the objectivity, adequacy and effectiveness of the accounting, financial and internal controls, including the Co-operative's policies and procedures to assess, monitor and manage business risk, governance issues, and ethical and legal compliance programs and report to the Board.
- (ii) The Committee shall review and approve the annual Strategic Audit/Assurance Plan.
- (iii) The Committee shall review the overall effectiveness of audit and risk management through meetings with the Group Risk Manager, review written reports and monitoring management's responses and actions to correct any noted deficiencies.

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- (iv) The Committee shall review, at least annually, the process the Co-operative has in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk.
- (v) The Committee shall ensure by consultation with management that controls are in place for unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
- (vi) The Committee shall ensure by consultation with management, that the internal auditors have access to management and are able to obtain from management any information and explanations necessary. Also, the Committee and the internal auditors may meet without management present.
- (vii) The Committee shall ensure by consultation with management compliance with appropriate specific legislation relating to occupational health & safety (OH&S).
- (viii) The Committee shall ensure by consultation with management that the Co-operative complies with its environmental obligations.
- (ix) The Committee shall review any regulatory reports submitted to the Co-operative and monitor management's response to them; and
- (x) The Committee shall review management's actions and recommendations for any special projects or investigations deemed appropriate by the Board or by the Committee.

### **d) Compliance**

- (i) The Committee shall monitor, with assistance from relevant management, the Co-operative's ongoing compliance with appropriate legislation including the Trade Practices Act, all relevant OH&S legislation, including the Occupational Health And Safety Act, and [all relevant environmental legislation, including] the Protection of the Environment Operations Act; and
- (ii) Review the overall effectiveness of corporate compliance policies.

### **e) Contracts and Agreements**

- (i) The Committee shall monitor, with assistance from relevant management, the Co-operative's ongoing compliance with the relevant Business Relationship Agreements and Business Protocols falling out of those Agreements.
- (ii) The Committee shall ensure that appropriate management action is taken in the event that material breaches of any of the Contract and Agreements by

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the Co-operative occur, and to ensure that such breaches are remedied in accordance with the relevant provisions, to the extent that such provisions exist, of the particular Contract or Agreement.

- (iii) In the event that material breaches of any of the Contracts or Agreements by companies within the Co-operative are notified to the Committee, to make recommendations to Board to take whatever steps are appropriate to ensure that requests are made of the Co-operative to remedy any breach or, where the breach is not continuing, that assurances are given and mechanisms put in place to ensure that the breach(es) will not recur.

### **f) Other Matters**

- (i) The Committee shall have unlimited access to the Group Risk Manager, where applicable the outsourced internal auditor, the external auditors and to management of the Co-operative.
- (ii) The Committee shall also have the ability to consult independent experts where they consider such consultation necessary to carry out their duties.
- (iii) The Committee shall also have the powers to discharge its responsibilities as set out in this Charter.
- (iv) The Co-operative's annual report should include a statement describing the responsibilities and activities of the Committee.