



# Audit and Risk Committee Charter

## Select Harvests Limited

### AUDIT AND RISK COMMITTEE CHARTER

#### 1. Introduction

- 1.1 The Audit and Risk Committee is a committee of the Board of Directors of Select Harvests Limited (**Company** and, together with its subsidiaries, the **Select Harvests Group**) (**Audit and Risk Committee**).
- 1.2 The Board of Directors of the Company (**Board**) have established the Audit and Risk Committee in accordance with the Company's Constitution.
- 1.3 This Charter sets out the scope of the Audit and Risk Committee's responsibilities in relation to the Company and the Select Harvests Group.

#### 2. Objectives

- 2.1 The objectives of the Audit and Risk Committee are to:
  - (a) assist the Board to achieve its objectives in relation to:
    - (i) corporate and financial reporting, including providing oversight of the adequacy of the Select Harvests Group's corporate reporting processes and internal control framework;
    - (ii) the application of accounting policies;
    - (iii) business policies and practices;
    - (iv) legal and regulatory compliance; and
    - (v) internal control and risk management framework;
  - (b) maintain and improve the quality, credibility and objectivity of the financial accountability process;
  - (c) promote a culture of compliance across the Select Harvests Group;
  - (d) provide a forum for communication between the Board and the Company's management (**Management**) in relation to audit and compliance matters affecting the Select Harvests Group;
  - (e) oversee the internal audit (if any) and external audit functions and communication between the Board and the internal auditor (if any) and external auditor; and
  - (f) review and comment on Management's plans for managing the material financial, non-financial and reporting risks faced by the Select Harvests Group.

#### 3. Audit and Risk Committee composition

- 3.1 The Audit and Risk Committee must comprise:
  - (a) at least three Directors, all of whom are non-executive directors; and
  - (b) a majority of independent Directors.
- 3.2 The Board will appoint the Chair. The Chair should be an appropriately qualified independent Director and must not be the Chair of the Board.
- 3.3 The Audit and Risk Committee will appoint a Secretary.

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- 3.4 The Audit and Risk Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.
- 3.5 Each member of the Audit and Risk Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with appropriate experience of financial and accounting matters.
- 3.6 Each member of the Audit and Risk Committee should have an understanding of the industry in which the Select Harvests Group operates.

### 4. External financial reporting

- 4.1 The external financial reporting responsibilities of the Audit and Risk Committee are:
- (a) engaging in the proactive oversight of, and assessing the adequacy of, the Company's financial reporting and disclosure processes, overseeing and reviewing the outputs of that process and making recommendations to the Board in relation to those matters;
  - (b) assessing the appropriateness and application of the Select Harvests Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
  - (c) reviewing significant financial and reporting issues, including complex or unusual transactions and highly judgmental areas and recent professional and regulatory announcements and understand their effect on the Company's financial reports;
  - (d) obtaining an independent judgment from the external auditor about:
    - (i) the acceptability and appropriateness of accounting policies and principles put forward by Management; and
    - (ii) the clarity of current or proposed financial disclosure practices as put forward by Management;
  - (e) assessing significant estimates and the appropriateness of judgements in financial reports by asking Management about the process used in making material estimates and then asking the external auditors for the basis of their conclusions on the reasonableness of Management's estimates;
  - (f) assessing Management's explanations for unusual transactions or significant variances from prior year results or current year budget;
  - (g) assessing information from the external auditor that may affect the quality of the Company's financial reports;
  - (h) reviewing all periodic financial reports with Management, advisers and the external auditor (as appropriate) and recommending to the Board, adoption of the applicable financial reports, if those financial reports reflect the understanding of the members of the Audit and Risk Committee, and otherwise provide a true and fair view of, the financial position and performance of the Select Harvests Group;
  - (i) discussing any draft *Audit Opinion Letter* and *Report on the Annual Audit* with the external auditors before it is finalised;
  - (j) assessing the appropriateness of any significant accounting estimates, judgments or choices in the financial reports of the Company;
  - (k) reviewing and approving as required, documents and reports to regulators;
  - (l) following up on any matter raised by the Board regarding financial reports, audit opinions and *Report on the Annual Audit*;

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- (m) monitoring the procedures in place to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management; and
- (n) any other responsibilities as determined by the Audit and Risk Committee or the Board from time to time, and
- (o) making recommendations to the Board in respect of these matters.

### 5. Risk management, compliance and internal control

5.1 The responsibilities of the Audit and Risk Committee regarding risk management, compliance and internal control matters are:

#### 5.1.1 Risk management and internal compliance and control systems

- (a) overseeing the establishment and implementation of a risk management framework and internal compliance and control systems and monitoring that there is a mechanism for assessing the ongoing efficiency and effectiveness of those systems and that the Company is operating within the risk appetite set by the Board;
- (b) making recommendations to the Board in relation to changes that should be made to the Select Harvests Group's risk management framework and the risk appetite as set by the Board;
- (b) reviewing (at least annually) and approving policies and procedures on risk oversight and management to establish an effective and efficient system for:
  - (i) identifying, assessing, monitoring and managing risk (both financial and non-financial risks); and
  - (ii) disclosing any material change to the Select Harvests Group's risk profile;
- (c) reviewing and/or evaluating:
  - (i) the effectiveness of the Company's risk management framework, compliance and internal control processes;
  - (ii) the Select Harvests Group's risk management framework at least annually; and
  - (iii) any material incident involving fraud or a breakdown of the Select Harvests Group's risk controls and the "lessons learned";
- (d) if the Company has an internal audit function, how the function is structured and what role it performs, or if it does not have an internal audit function, that fact and the process that it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes;
- (e) receiving reports from Management concerning the Select Harvests Group's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Select Harvests Group;
- (f) monitoring that a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and
- (g) if the Select Harvests Group has established an internal audit function (internally or through a third party):
  - (i) appointing or removing the head of internal audit or third-party internal audit provider;
  - (ii) determining and approving the scope and adequacy of the internal audit annual work plan;

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- (iii) monitoring the objectivity and performance of the internal audit function and receiving reports on its reviews and the adequacy of the entity's processes for managing risk; and
- (iv) meeting with the lead internal auditor, without management present, at least once per annum.

### 5.1.2 Disclosure and financial reporting

- (a) monitoring that Management establishes a comprehensive process to capture all financial information that must be disclosed to the ASX; and
- (b) reviewing the Select Harvests Group's financial risk management procedures to monitor that the Select Harvests Group complies with its legal obligations, including to assist the Chief Executive Officer or Chief Financial Officer to provide declarations in relation to the Select Harvests Group as required by Recommendation 4.2 of the ASX *Corporate Governance Council's ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> edition)*.

### 5.1.3 Other responsibilities

- (a) any other responsibilities as determined by the Audit and Risk Committee or the Board from time to time, and
- (b) making recommendations to the Board in respect of these matters.

## 6. External Audit

6.1 The responsibilities of the Audit and Risk Committee regarding external audit are:

- (a) approving the terms of engagement with the external auditor at the beginning of each financial year;
- (b) regularly reviewing with the external auditor:
  - (i) the scope of, plan for and adequacy of, the external audit;
  - (ii) identified risk areas; and
  - (iii) any other agreed procedures;
- (c) approving and overseeing compliance with the Company's *External Auditor Independence Policy*;
- (d) recommending to the Board for approval, the appointment or removal of the external auditor;
- (e) approving the fees payable to the external auditor for both audit and non-audit work and the rotation of the audit engagement partner;
- (f) regularly reviewing the performance, effectiveness and independence of the external auditor, including annual receipt of an independence report from the external auditor and the scope and adequacy of the external audit;
- (g) developing and overseeing the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and monitoring compliance with that policy;
- (h) providing advice to the Board as to whether the Audit and Risk Committee is satisfied that the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) (**Corporations Act**) to be included in the Company's annual report;

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- (i) meeting periodically with the external auditor and inviting them to attend Audit and Risk Committee meetings to:
  - (i) review their plans for carrying out internal control reviews; and
  - (ii) consider any comments made in the external auditor's *Report on the Annual Audit*, and in particular, any comments about material weaknesses in internal controls and Management's response to those matters;
- (j) meeting with the external auditors without management present at least twice per annum;
- (k) reviewing all representation letters to be signed by Management;
- (l) receiving and reviewing the reports of the external auditor; and
- (m) any other responsibilities as determined by the Audit and Risk Committee or the Board from time to time.

### 7. Other responsibilities

7.1 Other responsibilities of the Audit and Risk Committee are:

- (a) overseeing the Select Harvests Group's insurance program and assessing and recommending to the Board for adoption the scope, cover and cost of insurance, including insurance relating to Directors' and Officers' liability, company reimbursement and professional indemnity;
- (b) if it considers appropriate, investigating any complaint or allegation made to it;
- (c) monitoring that the Company discloses whether, and if so how, it has regard to, and manages, economic, environmental and social sustainability risks;
- (d) reviewing and monitoring any related party transaction and recommending its approval;
- (e) any other responsibilities as determined by the Audit and Risk Committee or the Board from time to time;
- (f) reviewing the procedures that the Company has in place to monitor compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices, occupational health and safety, and the environment);
- (g) reviewing the procedures that the Company has in place to monitor compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act, *ASX Corporate Governance Council's ASX Corporate Governance Principles and Recommendations (4<sup>th</sup> edition)*);
- (h) advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework;
- (i) reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards; and
- (j) reviewing and discussing with Management and the external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.
- (k) reviewing the Company's Whistle Blower Policy and monitoring compliance and governance of the Policy;

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### 8. Audit and Risk Committee meetings

- 8.1 The Audit and Risk Committee will meet at least four times per year or as often as it considers necessary.
- 8.2 A quorum for an Audit and Risk Committee meeting is two Audit and Risk Committee members.
- 8.3 Audit and Risk Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically in the same place. A member who is not physically present but participating by technological means is taken to be present.
- 8.4 The Audit and Risk Committee may invite other persons it regards appropriate to attend and contribute to Audit and Risk Committee meetings. The Chief Executive Officer, Chief Financial Officer and Company Secretary will be expected to attend all meetings, unless otherwise agreed by the Committee
- 8.5 The Audit and Risk Committee must disclose at the end of each reporting period the number of times that it met during the period and the individual attendances of its members at those meetings.

### 9. Minutes of Audit and Risk Committee meetings

- 9.1 The Audit and Risk Committee must keep minutes of its meetings.
- 9.2 The Chair of the Audit and Risk Committee will regularly update the Board about the Audit and Risk Committee's activities. The minutes of each Audit and Risk Committee meeting must be included in the papers for the next full Board meeting after each meeting of the Audit and Risk Committee, except if there is a conflict of interest.
- 9.3 Minutes must be distributed to all Audit and Risk Committee members within ten working days of the meeting, after the Audit and Risk Committee Chair has approved them.
- 9.4 The agenda and supporting papers are available to all Directors upon request to the Audit and Risk Committee secretary, except if there is a conflict of interest.

### 10. Access to information and independent advice

- 10.1 The Audit and Risk Committee may seek any information or advice it considers necessary to fulfil its responsibilities.
- 10.2 The Audit and Risk Committee has access to:
  - (a) Management, to interview and seek explanations and information from them; and
  - (b) internal (if any) and external auditors to seek explanations and information, with or without Management being present.
- 10.3 The Audit and Risk Committee may seek professional advice from appropriate external advisers, at the Company's cost. The Audit and Risk Committee may meet with these external advisers without Management being present.

### 11. Review and changes to this charter

- 11.1 The Audit and Risk Committee will review this Charter annually or as required.

### 12. Approved and adopted

- 12.1 This Charter was approved by the Board on 27 November 2020.