



# AUDIT, FINANCE AND RISK COMMITTEE CHARTER

May 2019

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## 1. Purpose

- 1.1. The primary purpose of the Audit, Finance and Risk Committee (*the Committee*) is to assist the Board of Directors (*the Board*) of Sanford Limited and its subsidiaries (*Sanford, the company*) in fulfilling its oversight responsibilities for financial management and related reporting processes. This includes the system of internal control and risk management, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct. The Committee's objectives include improving the efficiency of the Board by allowing for the delegated issues to be discussed in sufficient depth.

## 2. Constitution

- 2.1. The Committee shall be a Committee established by the Board.

## 3. Membership

- 3.1. Membership of the Committee shall comprise solely of non-executive directors as appointed by the Board. The number of members of the Committee shall not be less than three, the majority of which shall be independent directors. The Committee shall not comprise more than six members. The Chief Executive Officer (CEO) shall not be a member of the Committee. The Board shall appoint a Chair from the independent members of the Committee. The Chair of the Committee shall be an independent director, and cannot be the Chair of the Board.
- 3.2. The Committee must have one member who has a financial background, including knowledge and understanding of accounting rules and standards, as required by NZX Listing Rules.

## 4. Secretarial and procedure

- 4.1. The secretary of the Committee shall be appointed by the Board.
- 4.2. A quorum of members of the Committee shall be two.
- 4.3. All employees (including the CEO and the Chief Financial Officer (CFO)) may only attend Committee meetings at the invitation of the Committee. The internal auditors and representatives from the external auditors have a standing invitation but would normally attend at the request of the Audit, Finance and Risk Committee Chair.
- 4.4. The external auditors and the internal auditors are encouraged to meet as appropriate with the Committee Chair, independent of management. The Committee Chair will generally meet with management, the internal auditors and the external auditors (either together or separately as the Chair deems appropriate) before each Committee meeting and at other times as required.
- 4.5. The Committee may have in attendance such members of management and such other persons including the external auditors, as it considers necessary to provide appropriate information and explanations.

- 4.6. All Directors are entitled to attend meetings of the Committee. Only members of the Committee may vote.
- 4.7. The agenda and Committee papers will be prepared and circulated in a timely manner to all Directors including members of the Committee prior to Committee meetings.
- 4.8. Meetings shall be held not fewer than four times per year having regard to the company's reporting and audit cycle. The Committee papers must be sent five working days before the meeting.
- 4.9. Any member of the Committee, the CEO, the CFO or the external auditors may request a meeting at any time if they consider it necessary.
- 4.10. Minutes of all meetings shall be kept and circulated on a timely basis.
- 4.11. The Committee shall maintain direct lines of communication with the external auditors, the CEO, the CFO, the internal auditors and with management generally including those responsible for non-financial risk management.
- 4.12. The CEO and the CFO shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any event of fraud or malpractice.
- 4.13. The Chair will report back to the Board the recommendations of the Committee at the Board meeting following the Committee meeting. The minutes of all Committee meetings shall be circulated to members of the Board, the CEO, the CFO, the external auditors and to such other persons as the Board directs.
- 4.14. The Chair shall present an annual report to the Board summarising the Committee's activities during the year and related significant results and findings.

## 5. Responsibilities

- 5.1. The responsibilities of the Committee are as follows:

- 5.2. **Financial Management**

The Committee is required to provide advice and oversight of financial management, and recommending actions for Board approval, as appropriate. This includes:

- 5.2.1. Consider the effectiveness of the company's internal control system, including information technology security and control.
- 5.2.2. Review the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses. Review the adequacy of management's follow up actions and closure of audit findings.

- 5.2.3. Review and monitor the overall financial management of the Company, specifically management's processes and systems to optimise efficiency and effectiveness of operations and financial return.
- 5.2.4. Review the Capital Expenditure strategy and operational plan, recommending to the Board for approval, if appropriate. Understand how the strategy supports the Company in meeting its strategic objectives. Monitor material items purchased outside of the Capital Expenditure strategy and operational plan. Understand the reallocation of funds and what is impacted by this reallocation and its effect on the Company.
- 5.2.5. Annual review the financial and operational budgets, if appropriate recommend to the Board for approval. Review reporting progress against set budgets, understanding deviations from plan and remediation strategies, as appropriate.
- 5.2.6. Review the Company's Capital and Funding arrangements, ensuring that this aligns to operational requirements and takes risk factors into consideration. Review and recommend to the Board, if appropriate, new Capital and Funding arrangements.
- 5.2.7. Annually review the Treasury policy and monitoring of compliance to the requirements as detailed therein.
- 5.2.8. Annually review all of the Company's insurance arrangements and recommending Board adoption of arrangements, where appropriate.

### **5.3. Risk Management**

- 5.3.1. Review the risk management framework and monitoring of compliance to that framework.
- 5.3.2. Review the Company's material risks on an annual basis, changes in material risks as required. The Board and the Committee should also assess how material risks are being managed by the Company.
- 5.3.3. Monitor the Company's risk assessments and the internal controls instituted.
- 5.3.4. Regularly report to the Board on the material risks facing the Company and how these are being managed.

### **5.4. Compliance**

Compliance requirements relating to Human Capital and related practices and Health & Safety are covered by the People and the Safety, Health and Environment and Committees Food Safety requirements are covered by the Sales, Marketing, Innovation and Food Safety Committee. The Audit, Finance and Risk Committee is responsible for oversight of all other compliance requirements; including:

- 5.4.1. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- 5.4.2. Review the findings of any examinations by financial related regulatory agencies, and any auditor observations.

- 5.4.3. Review the process for communicating the code of conduct (sections defined in Appendix 1) to company personnel, and for monitoring compliance therewith. Have oversight of compliance to other sections of the Code of Conduct.
- 5.4.4. Obtain regular updates from management and company legal counsel regarding compliance matters.
- 5.4.5. Review management's attestations on compliance.

## **5.5. Financial Reporting**

- 5.5.1. Consider and make recommendations for Board approval, on all major accounting policies and practices, including any proposed changes to the Company's accounting policies and practices and their application during the reporting period. Monitor compliance to Company policies.
- 5.5.2. Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and determine their impact on the financial statements.
- 5.5.3. Review legal and regulatory matters that may have a material impact on the financial statements.
- 5.5.4. Review the frequency and significance of all transactions between the company and related parties and assessment of their appropriateness.
- 5.5.5. Review with management and the external auditors the results of the interim and annual financial statements and all other financial information prepared by the Company that are to be released to the market.
- 5.5.6. Review of audit findings, confirming management's response and proposed action. Ensure that all agreed management actions are appropriately completed.
- 5.5.7. Review the preparation and fair presentation of financial statements prepared by the Company and obtaining explanations from management and internal and external auditors on whether:
  - 5.5.7.1. Financial results varied significantly from budgeted or projected results
  - 5.5.7.2. Significant or unusual events or transactions are adequately disclosed
  - 5.5.7.3. The Company's financial and operating controls are appropriately designed and operating effectively
  - 5.5.7.4. All annual and interim financial statements and announcements contain adequate and appropriate disclosures
- 5.5.8. Reviewing that the financial statements are prepared in accordance with legal requirements and accepted accounting practice and provide a fair presentation of the financial position and results of the Company.
- 5.5.9. Requiring annual certification by the CEO and CFO that:

5.5.9.1. The Company's financial statements present fairly, in all material respects, the Company's financial condition and operational results and are in accordance with applicable accounting standards.

5.5.9.2. The above statement was based on a sound system of risk management and internal control and compliance which implements the policies adopted by the Board.

5.5.10. Considering, and recommending for Board approval draft financial statements, reports and company announcements regarding financial matters which must be disclosed to the NZX and any external party.

## 5.6. External Audit

- 5.6.1. Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting of the Company, in relation to the appointment of the Company's external auditors.
- 5.6.2. Review and approve the external auditors' engagement letter which includes the proposed audit scope and approach. Annually review the performance of the external auditors against the terms of agreement and related expectations.
- 5.6.3. Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, provide approval for non-audit services, and discussing the relationships with the auditors.
- 5.6.4. Invite the external auditor to attend the Company's Annual General Meeting to answer questions from shareholders in relation to the audit.
- 5.6.5. At least annually, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 5.6.6. Ensure that the Key Audit Partner (as defined by the NZX Listing Rules) is changed at least every five years.

## 5.7. Internal Audit

- 5.7.1. Approve the internal audit charter.
- 5.7.2. Approve decisions regarding the appointment of the external provider of internal audit services. Ensure there are no unjustified restrictions or limitations.
- 5.7.3. Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- 5.7.4. Review with the external provider the internal audit budget, resource plan, activities, and organisational structure of the internal audit function.
- 5.7.5. At least once per year, review the performance of the external provider and concur with the annual compensation and overall internal audit budget.
- 5.7.6. Review the effectiveness of the internal audit function, including conformance with the Institute of Internal Auditors' the Definition of Internal Auditing, Code

of Ethics and the International Standards for Professional Practice of Internal Auditing.

- 5.7.7. On a regular basis, meet separately with external provider to discuss any matters that the Committee or internal auditors believes should be discussed privately.

#### **5.8. Reporting Responsibilities**

- 5.8.1. Regularly report to the Board of Directors about Committee activities, issues and related recommendations.
- 5.8.2. Provide an open avenue of communication between internal audit, the external auditors, and the Board.
- 5.8.3. Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- 5.8.4. Review any other reports the company issues that relate to the Committee's responsibilities.

#### **5.9. Other Responsibilities**

- 5.9.1. Perform other activities related to this charter as delegated by the Board.
- 5.9.2. Institute and oversee special investigations or projects as needed.

### **6. Members' Powers and Authority**

- 6.1. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed to cooperate with any request made by the Committee.
- 6.2. The Committee will make recommendations to the Board on all matters requiring a decision. The Committee does not have the power or authority to make a decision in the Board's name or on its behalf, unless specifically delegated.
- 6.3. The Committee is authorised by the Board to obtain, at the expense of the company outside legal or other independent professional advice and to arrange for the attendance at meetings, at the expense of the company, of outside parties with relevant experience and expertise if it considers this necessary.

### **7. Accountability to the Board**

- 7.1. Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- 7.2. Confirm annually that all responsibilities outlined in this charter have been carried out.



7.3. Evaluate the Committee's performance annually.

## 8. Signed

A handwritten signature in black ink, appearing to be 'Rob McLeod', written over a faint dotted rectangular box.

Signed: Rob McLeod  
**Chairman of the Audit, Finance & Risk Committee**

**Date: May 2019**

## Appendix 1 – Oversight Responsibilities within Sanford’s Code of Conduct (2014 version)

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