

# AUDIT COMMITTEE CHARTER

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## **TABLE OF CONTENTS**

1.	PURPOSE .....	3
2.	DISCRETIONARY ISSUES.....	3
3.	COMMITTEE STRUCTURE AND MEMBERSHIP .....	3
4.	GENERAL .....	4
5.	MINUTES .....	5
6.	INTERNAL CONTROLS AND RISK ASSESSMENT .....	5
7.	FINANCIAL REPORTING.....	5
8.	EXTERNAL AUDITOR .....	6
9.	RISK MANAGEMENT PROCESS .....	8
10.	TAXATION .....	8
11.	FRAUD.....	8

## 1. PURPOSE

1. The audit committee is a committee of the board of directors. Its primary function is to assist the board in fulfilling its oversight responsibilities by reviewing the financial information which will be provided to shareholders and others, the systems of internal controls which management and the board of directors have established, and the audit process. In doing so, it is the responsibility of the audit committee to provide an open avenue of communication between the board of directors, management, the Global Risk Manager, and the external auditors.
2. In addition, the audit committee will undertake those specific duties and responsibilities listed below and such other duties as the board may from time to time prescribe.

## 2. DISCRETIONARY ISSUES

1. The board has not required the audit committee to oversee the following areas:
  - 1) environmental matters;
  - 2) management performance and compensation;
  - 3) insurable risk management;
  - 4) corporate governance;
  - 5) compliance with other laws and regulations not specifically dealt with in this charter.

## 3. COMMITTEE STRUCTURE AND MEMBERSHIP

1. The board of directors shall appoint the audit committee.
2. The audit committee shall consist of at **least three** non-executive directors although any Board members may attend any meeting.
3. The Committee shall have a majority of independent non-executive directors.

Members of the audit committee will have a range of different backgrounds, skills and experiences which, when taken as a whole, will give the committee the ability to understand the issues it is likely to encounter. At least one member of the committee should have a background in financial reporting, accounting or auditing (however, the lack of any such member shall not invalidate or otherwise affect the actions taken by the committee). Further, each member of the committee must be able to read and understand fundamental financial statements, including the company's balance sheet, profit and loss statement and cash flow statement, or must become able to do so within a reasonable period of time after their appointment to the committee.

4. The Managing Director, Chief Financial Officer, General Manager Global Risk Management, external auditor and such other management representatives as required will normally attend all audit committee meetings.
5. The board shall appoint one of the members of the audit committee as chairperson. The Chairperson must be an independent non-executive director. It is the responsibility of the chairperson to schedule all meetings of the committee and, to provide the committee with a written agenda.
6. The company secretary or his appointee will act as secretary of committee meetings and will circulate minutes of the meeting.

In meeting its responsibilities, the committee shall:

#### **4. GENERAL**

1. Have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The committee will have unrestricted access to members of management and all information relevant to its responsibilities. The committee is empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.
2. Meet at least three (3) times per year or more frequently as circumstances require. The committee may ask members of management or others to attend the meetings and provide pertinent information as necessary.

Report committee actions to the board of directors with such recommendations as the committee may deem appropriate. The committee will report to the board immediately if it becomes aware of any material misstatement in financial information provided by management to the board or of any material breakdown in internal controls.

3. Perform such other functions assigned by law, the company's charter or bylaws, or the board of directors.
4. Meet 'privately, at least annually, with the General Manager – Global Risk Management, and the external auditors to discuss any matters that the audit committee or these groups believe should be discussed with the committee without the presence of management.
5. Self-assess whether the audit committee has carried out the responsibilities defined in the *Audit Committee Charter* once a year.
6. Self-assess whether the audit committee complies with its membership requirements at least once every year.
7. Critically review the Audit Committee Charter at least once per year to ensure its relevance and compliance with overall governance legislative requirements and best practice.
8. The Chairperson or any member of the Audit Committee may request presentations from management, or third parties, in such areas as risk management, financial reporting or any other area relevant to the responsibilities of the Committee.

## **5. MINUTES**

1. Maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the board of directors.

## **6. INTERNAL CONTROLS AND RISK ASSESSMENT**

1. Review and evaluate the effectiveness of the Group's process for assessing significant risks or exposures and the steps management has taken to minimize such risks to the Group.
2. Consider and review with management, the external auditors, and the risk management function:
  - 1) The effectiveness of, or weaknesses in, the Group's internal controls including computerized information system controls and security, the overall control environment, and accounting, treasury and financial controls.
  - 2) Any related significant findings and recommendations of the external auditors and internal auditing, together with management's responses thereto, including the timetable for implementation of recommendations to correct identified weaknesses in internal controls.
3. Review with the General Manager, Global Risk Management and the external auditors the co-ordination of audit effort to assure completeness of coverage of key business controls and risk areas, reduction of redundant efforts, and the effective use of audit resources.

## **7. FINANCIAL REPORTING**

1. Ensure that all financial statements released to shareholders, lenders, or any regulatory body comply with accounting standards, and other regulatory requirements, are true and fair, and are not misleading.
2. Review with management and the external auditors the financial statements released to shareholders to ensure they comply with Australian Accounting Standards and other regulatory requirements, and present a true and fair view of the financial position and performance of the group.
3. The compliance with current Accounting Standards and other regulatory requirements:
  - 1) changes in accounting policies during the period;
  - 2) outline methods used in accounting for specific transactions where there is no definitive accounting standard;
  - 3) Require external auditors to inform the committee of their views in relation to the above.

4. Review the CEO/CFO certification re the financial statements and, when satisfied, recommend this certification to the Board of Directors.
5. Review management's representations in respect of the accounts.
6. Review the dividend proposal and supporting information provided by management to ensure:
  - 1) it complies with board guidelines; and
  - 2) that the franking status is consistent with Australian tax paying capacity.
7. The committee should then make an appropriate recommendation on the dividend proposal to the Board of Directors.

## **8. EXTERNAL AUDITOR**

1. Recommend to the board of directors the appointment, remuneration and independence of the external auditor.
2. Review the scope and approach of the annual external audit plan with the external auditors.
3. Assess the external auditors' process for identifying and responding to key audit and internal control risks.
4. Expect that the external auditor will immediately contact the Chairman of the Audit Committee (or, if deemed appropriate by the external auditor, the Chairman of the Board) if management has unreasonably restricted access by the external auditor, or if there are significant unresolved issues between management and the external auditor.
5. Ensure the following:
  - 1) That lead engagement audit partners will rotate after a maximum period of five years; and
  - 2) That two years will elapse before the former lead audit partner can be involved again in the company's audit.
6. Require the external auditor to confirm in writing that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts.
7. At least annually assess the external auditor's actual or perceived independence by reviewing the services provided by the external auditor. This assessment must also consider whether any anomalies in this area, acceptable to the Audit Committee, would also be perceived as reasonably acceptable by outside observers. In this regard, the following guidelines have been agreed:
  - 1) The external auditor shall not provide services which are in conflict with its role as statutory auditor. These services include all areas in which the auditor may ultimately be required to express an opinion of its own work. Examples of services which should not be provided by the external auditor:
    - (a) internal audit;
    - (b) preparation of accounting records and financial statements;

- (c) design and/or implementation of new IT systems and financial controls;
  - (d) recruitment and human resource services;
  - (e) valuation services;
  - (f) providing management functions, including senior management secondments;
  - (g) actuarial services; and
  - (h) broker, dealer, or investment advisory services.
- 2) The external auditor will be permitted to provide non-audit services that are not perceived to be in conflict with the role of auditor. Examples of services that may be provided without Audit Committee approval:
- (a) advice on application of appropriate accounting standards;
  - (b) audits or verification of regulatory returns; and
  - (c) other compliance-type activities.
- 3) Based on recommendations from management, the Chairman of the Audit Committee may also approve performance of non-audit services by the auditor, where such services require a detailed knowledge of the company's activities in order to decrease costs and maximize output efficiencies.

This consultation process will occur where the individual service is estimated to cost in excess of 10% of the annual external audit fee.

The Chairman of the Audit committee will also consult with other members of the Committee, the external auditor, and management as appropriate.

Examples of such services are:

- (a) due diligence on potential acquisition/investments;
- (b) investigating accounting assignments; and
- (c) corporate finance advice (deal structuring and execution).

A report will be given at each Audit Committee Meeting of the services approved since the last meeting.

- 4) The external auditor will not be able to provide taxation advice, whether of a strategic or compliance nature, except in exceptional circumstances and then only with the express approval of the Chairman of the Audit Committee.
- 5) Recommend that any former lead engagement partner of the accounting firm involved in the company's external audit should not be invited to join the Board of Directors to fill vacancies arising from time to time.
- 6) Recommend to the Board, on a totally transparent basis, the appropriate disclosure in the Annual Accounts of the full details of all fees paid to the external auditor.

- 7) Review with management their certification that the provision of non-audit services has not prejudiced the independence of the external auditors.

## **9. RISK MANAGEMENT PROCESS**

1. Review the risk management process for establishing the annual audit plan and the focus on risk.
2. Consider and review with management and the General Manager of Risk Management:
  - 1) significant findings during the year and management's responses thereto, including the timetable for implementation of the recommendations to correct weaknesses in internal control;
  - 2) any difficulties encountered in the course of their audits, including any restrictions on the scope of their work or access to required information;
  - 3) any changes required in the planned scope of their audit plan;
  - 4) the risk management charter;
  - 5) compliance with the *Standards for the Professional Practice of Internal Auditing* established by the Institute of Internal Auditors.
3. Confirm and assure the independence of the General Manager Global Risk Management.

## **10. TAXATION**

1. Review the taxation position of the Nufarm Group to ensure it is in compliance with relevant tax law, and determine that there are no significant exposures not reflected in the financial statements. Part of this assessment will involve reviewing the utilisation of tax losses.

## **11. FRAUD**

1. Review management process for the identification of material fraud risks across the Nufarm Group and the adequacy of prevention, detection and reporting mechanisms in place.