

# AUSTRALIAN VINTAGE LIMITED

## AUDIT COMMITTEE

### TERMS OF REFERENCE AND CHARTER

#### Background

The Board of Directors of Australian Vintage Limited has established the Audit Committee under Article 124 of the Company's Constitution as a Committee of the Board.

This Charter outlines the role, composition, authority, responsibilities and operation of the Audit Committee.

#### Definitions

In this Charter the following terms shall have the following meanings:

**'Board'** means the full Board of Directors of Australian Vintage Ltd from time to time.

**'Committee'** means the Audit Committee constituted by the Board as a committee of the Board from time to time. At the date of this Charter the Committee consists of:

- John Davies (Chairman)
- Richard Davis
- Naseema Sparks

**'Company'** means Australian Vintage Limited and its subsidiaries.

#### 1. Membership

- 1.1 The Committee shall comprise at least three (3) members, each of whom shall be appointed by the Board.
- 1.2 All members of the Committee shall be non-executive directors.
- 1.3 All members of the Committee must be 'independent' as that term is defined in the Australian Stock Exchange ('**ASX**') Corporate Governance Principles and Recommendations as amended from time to time.
- 1.4 The Committee Chairperson shall hold office until such time as his/her position is determined by the Board.
- 1.5 The Committee Chairperson shall not be the individual who is the chairperson of the Board.

#### 2. Secretary

The Company Secretary or their nominee shall act as the Secretary of the Committee.

#### 3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be one less than all members of the Committee at that time.

3.2 A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested or exercisable by the Committee.

#### **4. Meetings**

4.1 The Committee shall meet not less than twice a year on a date or dates to be set by the Chairperson.

4.2 Dates shall be set so as to maximise the number of members who are able to attend meetings.

#### **5. Notice of Meetings**

5.1 Meetings of the Committee shall be arranged by the Secretary of the Committee at the request of any member thereof.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend no fewer than five (5) working days prior to the date of the meeting.

5.3 The Chief Executive Officer shall have the right to attend and speak at meeting of the Committee.

5.4 Other persons of the Committee's choice may be called upon by the Committee or shall be able to speak at the discretion of the Committee (including without limitation the Chief Financial Officer).

#### **6. Minutes of Meetings**

6.1 The Secretary shall minute the proceedings, issues raised and resolutions of all Committee meetings, including the names of those present and in attendance.

6.2 Minutes of Committee meetings shall be circulated to all members of the Committee within a reasonable time after the meeting, and to any members of the Board who request them within a reasonable time of the request.

#### **7. Annual General Meeting**

The Chairperson of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

#### **8. Authority**

8.1 The Committee is authorised by the Board to seek any information it requires from any employee of the Company or the auditors in order to perform its duties.

8.2 In connection with its duties the Committee is authorised by the Board to:

- (a) obtain, at the Company's expense, any outside legal, financial or other professional advice or financial advice,
- (b) secure the attendance of external advisers at its meetings if it considers this necessary, and

- (c) obtain reliable, up-to-date information about the financial and accounting aspects of the Company, the business, requirements of accounting standards or any other professional advice or information.

## **9. Role and Responsibilities of the Committee**

The Committee shall:

### *Internal Financial Accounts:*

- 9.1 Review the effectiveness of the Company's financial reporting and internal control policies and procedures for identification, assessment and reporting of the Company's accounting records and financial outcomes and risks.
- 9.2 Review the consistency of the Company's internal accounting policies both on a year to year basis and across the Company.
- 9.3 Review the annual and half yearly financial statements of the Company.

### *Internal Audit Function:*

- 9.4 Consider the requirement for the appointment of an internal auditor.
- 9.5 Consider and approve the terms of reference of any internal audit function.
- 9.6 Review the management of financial matters and focus upon the freedom allowed to the internal auditors and access to information provided by Company management to internal auditors.
- 9.7 Review promptly all reports from the Company from any internal auditors and make any appropriate recommendations to the Board.
- 9.8 Be responsible for the co-ordination of any internal auditors.

### *External Audit Function:*

- 9.9 Consider and make recommendations to the Board as regards the appointment and re-appointment (as necessary) of the Company's external auditors.
- 9.10 Meet with the Company's external auditors at least twice in each year, once at the planning stage prior to the audit, and once subsequent to the audit at the reporting stage to review the audit report and the information considered by the auditors in relation thereto.
- 9.11 Be responsible for the co-ordination of the external auditors.
- 9.12 Resolve any disagreements or issues between external auditors and management.
- 9.13 Determine and oversee categories of non-audit services that may be provided by the external auditor.
- 9.14 Keep under review the relationship with external auditors including but not limited to:
  - (a) The independence and objectivity of external auditors.
  - (b) The consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of any non-audit activities undertaken by the auditors on behalf of the Company.

- (c) Discussions with external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made concerning the Company's internal auditing standards.
- (d) The quality of the audit reporting and audit planning processes undertaken by the external auditors and the objectivity and accountability of the external auditors.

9.15 Ensure that:

- (a) the external audit engagement partner is rotated within the period required under any audit partner rotation policy developed by the Audit Committee and approved by the Board; or
- (b) if no audit partner rotation policy exists, the external audit engagement partner is rotated within a period of five (5) years from the date of that partner's first appointment.

#### *Management of Financial Risks*

9.16 The Committee shall review processes and controls for the identification and management of financial and taxation risks (the '**Financial Risks**').

9.17 The Committee shall communicate to the Board about the management of Financial Risks, the risk profile, and internal controls to manage risk.

9.18 The Committee's has the following responsibilities in respect of Financial Risks:

- (a) to identify, assess, monitor and manage Financial Risks in the same manner and under the same terms as required of the Risk Committee under the Risk Committee Charter in respect of risks referred to in that charter;
- (b) to inform the Board of material changes to the Company's risk profile so far as it relates to the Financial Risks and to maintain appropriate risk management practices throughout the operations, practices and systems of the Company;
- (c) to obtain, each year, a statement from the CEO and the CFO, to the Board that, in respect of the Financial Risks, the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects; and
- (d) liaise regularly with the Risk Committee and in particular in respect of any matter which comes to the attention of the Audit Committee which may impact on the risk profile of the Company generally or which the Committee is not clear whether the matter is the responsibility of the Audit Committee or the Risk Committee.

#### *Conflicts of Interest, Insider Trading and Fraud*

9.19 The Committee has the following responsibilities in respect of conflicts of interest, insider trading and fraud:

- (a) review and monitoring the propriety of any related party transactions;
- (b) enquire into actual or potential conflicts of interest, including reviewing contracts, arrangements or undertakings that may involve related

parties and more generally, monitoring significant transactions to ensure they are at arm's length;

- (c) evaluate and ensure compliance with the Company's policies and legal requirements on insider trading;
- (d) ensure the establishment and maintenance of effective internal controls to minimise the risk of fraud; and
- (e) oversee the investigations of any allegations of fraud by employees or officers of the Company.

## **10. Other Duties of the Committee**

- 10.1 The Committee shall give due consideration to the requirements of:
  - (a) ASX Listing Rules and Corporate Governance Principles and Recommendations (3<sup>rd</sup> Edition);
  - (b) Australian Accounting Standards;
  - (c) the Corporations Act and any other relevant law; and
  - (d) the requirements of any regulatory authority.
- 10.2 The Committee shall require the Chief Executive Officer (the '**CEO**') and the Chief Financial Officer ('**CFO**') to state in writing that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.
- 10.3 Oversee any investigation of activities which are within its terms of reference and act as an arbiter of the last resort.
- 10.4 The Committee shall regularly review the Company's Corporate Governance policies and procedures and report to the Board on any recommended alterations as they arise.
- 10.5 The Committee shall review the financial statements and report to ensure that all disclosures covering corporate governance issues are made in accordance with the regulators.
- 10.6 In light of its other duties the Committee shall make whatever recommendation to the Board it deems appropriate.
- 10.7 The Committee should, on a regular basis, review its own performance, terms of reference and charter to ensure that it is operating at maximum effectiveness.
- 10.8 The head of any internal audit shall be given the right of direct access to the Chairperson of the Committee.
- 10.9 The Committee shall annually review this Audit Committee Charter to ensure its effectiveness and currency.
- 10.10 The Committee shall ensure that this Charter is made publicly available on the Company's website and that the Annual Report explains any departure by the Company from this Charter.

## **11. Annual Review and Reporting to the Board**

- 11.1 The Committee or its Chairperson shall meet formally with the Board of Directors at least twice a year to discuss such matters as the Annual Report, the relationship with external auditors, the Company's financial reporting and any other matters of relevance called upon by the Board or the Chairperson of the Committee for discussion.
- 11.2 The Committee shall at least annually report to the Board on matters relevant to the Committee's roles, duties and responsibilities including:
- (a) an assessment of whether external reporting is consistent with Committee members' information and knowledge and whether such reporting is adequate for shareholder needs;
  - (b) an assessment of management's support with respect to the production of external reports;
  - (c) matters relating to the selection and appointment of external auditors including, as applicable:
    - (i) the need for audit engagement partner rotation;
    - (ii) recommendations as to the appointment or removal of an external auditor; and
    - (iii) and all procedures followed in forming the recommendations to appoint or remove an external auditor;
  - (d) an assessment of the performance and independence of the external auditors having regard to, amongst other matters, the degree and type of non-audit services provided by the external auditor;
  - (e) an assessment of the performance and objectivity of the internal audit function; and
  - (f) the results of its review of financial risk management and internal compliance and control systems.

## **12. Limitation of Audit Committee's Role**

Despite the duties given to the Audit Committee in this Charter, it is not the duty of the Audit Committee to:

- 12.1 plan or conduct audits (this is the responsibility of the external auditor in consultation with management);
- 12.2 determine the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations (this is the responsibility of the Board in consultation with management and the external auditor);
- 12.3 actively seek out activities occurring within the Company that are not compliant with the Company's policies or procedures (the Committee's principle function is one of oversight, supervision and monitoring, although the Committee does have a duty to act promptly if an activity that is not compliant with the Company's policies or procedures is brought to their attention).