



Dairy for life

# Audit Committee Charter

FSF Management Company Limited

## Constitution

FSF Management Company Limited ("Company") acts as manager of the Fonterra Shareholders' Fund ("Fund"). The Board of the Company ("the Board") will also act as the Audit Committee ("the Committee").

## Purpose

The purpose of the Committee is to assist the Board in fulfilling its corporate governance responsibilities relating to the Company's risk management and internal control frameworks, financial reporting, audit activities, treasury matters, and any other matters as determined by the Board.

## Responsibilities

The responsibilities of the Committee include:

1. Reviewing the adequacy of the Company's risk management and internal control framework, and the principal risks of the Company and those relating to the Fund.
  - Receive and consider reports from Auditors in respect of internal controls.
  - Make regular enquiry of Auditors and other relevant persons about significant risks or exposures, including illegal acts, fraud, and review the steps taken to address such risks to the Company and the Fund.
  - Respond to any regulatory reports submitted to the Company.
  - Ensuring that an appropriate risk management framework is in place which effectively identifies, addresses and monitors significant business risks, and that appropriate processes are in place to ensure compliance with the related policies and procedures together with the reporting of any non-compliance.
2. Review financial reporting practices and processes.
  - Review financial reporting issues and disclosure requirements.
  - Consider any significant changes in accounting policies and practices.
  - Oversight of financial reporting processes of the Fund.
  - Review and consider the annual and interim financial statements and whether they are complete and consistent with the information known to Committee members. The review should include consideration of:
    - whether the financial statements reflect appropriate accounting policies;
    - major judgement areas, particularly the nature and level of significant provisioning;
    - any legal matters that could significantly impact the financial statements;
    - complex and/or unusual transactions such as derivative disclosures.
  - Review the annual report before its release and consider whether the information is understandable and consistent with Committee members' knowledge of the Company's and the Fund's operations.
3. Review the preparation of offering documents.
  - Review the processes used for the preparation of any offering documents in relation to new issues of securities.

- Review relevant offer documents, and consider whether they are complete and consistent with the information known to Committee members.
4. Oversee the External Audit process.
- Consider candidates for appointment as the Company's External Auditors (subject to the requirements in documents governing the Fund).
  - Review the reasonableness of, and approve the External Audit fees, terms of engagement and annual audit plan
  - Manage, review and confirm the independence of External Audit, including:
    - review of other professional services and related fees;
    - approval of non-audit services;
    - ensuring lead audit partner is rotated at least every five years.
  - Review External Audit reports, significant audit adjustments, management letter and any areas of debate or dispute between External Audit and management.
  - Receive on an annual basis, from the External Auditor, a report detailing the following:
    - All critical accounting policies and practices used;
    - All alternative treatments within generally accepted accounting practice for policies and practices related to material items, including ramifications of use of such alternative disclosures and treatments along with the treatment preferred by the independent auditor;
    - Other written communications between the independent auditor and the management of the company that are material to the financial statements, such as any letter or schedule of unadjusted differences;
    - Its internal quality-control processes and any material issues arising from its most recent quality-control review, any issues from reviews by government professional authorities into their audits, relationships between the External Auditor and the Company, and their policy on audit partner rotation.
  - Consider any material findings or issues contained in the annually requested report of the External Auditor.
5. Consider the appropriateness of an Internal Audit function, and oversee any Internal Audit process established.
6. Maintain open lines of communication with Auditors and other relevant parties.
- Review regular reports received from Auditors and other relevant parties.
  - Hold confidential sessions at least annually with the Auditors to discuss any matters that the Committee or Auditors believe require discussion without the presence of those involved in the preparation of the accounts.

## NZSX Rules Compliance

The Committee is the "Audit Committee" as defined in the NZSX Listing Rules, and as such shall:

- ensure that processes are in place, and monitor those processes, so that the Board is properly and regularly informed and updated on corporate financial matters [see responsibility 2 above];
- recommend the appointment and removal of the independent auditor [see responsibility 4 above];
- meet regularly to monitor and review the independent and internal auditing practices [see responsibilities 4-5 above];
- have direct communication with and unrestricted access to the independent and any internal auditors or accountants [see responsibility 6 above];

- review the financial reports and consider whether they comply with the appropriate laws and regulations [see responsibility 2 above];
- ensure that the External Auditor or lead audit partner is changed at least every five years [see responsibility 4 above].

## Terms of Reference

The following Terms of Reference shall apply.

### Membership

#### Directors

The Committee shall consist of all Directors.

Only Directors appointed to the Committee shall have voting rights on matters delegated to the Committee.

#### Chairperson

Unless otherwise determined the Committee Chair will be the Chair of the Board.

#### Other Attendees

Persons other than Directors may be invited to attend part or all of any meeting, but the Committee may request they withdraw from the meeting at any time.

Representatives of External Audit may be invited to attend part or all of any meeting, but the Committee may request they withdraw from any part of a meeting.

#### Observers

Observers are not members of the Committee, and have no voting rights.

### Meeting Procedure

#### Secretarial

The Committee shall appoint a person to act as Secretary of the Committee who shall attend each meeting.

The Secretary shall be responsible for drawing up the agenda for the approval of the Committee Chair and circulating both it and supporting documentation to Committee members prior to each meeting.

The Secretary shall be responsible for keeping the minutes of meetings of the Committee and circulating them in a timely manner.

The Secretary shall ensure that a complete record of the proceedings of the Committee including agendas, minutes, papers, advice and reports is appropriately and securely filed and retained in accordance with statutory retention obligations.

#### Meetings

Subject to any procedural or other requirements imposed on the Committee, the provisions of the Constitution relating to proceedings of the Board shall apply with appropriate modification.

Reasonable notice of meeting and the business to be conducted shall be given to the members of the Committee.

The Committee shall meet as frequently as required in order to fulfil its duties.

#### Quorum

A quorum of the Committee is a quorum of the Board in accordance with the Constitution.

### Review

The Committee Charter shall be reviewed regularly. Any proposed amendments must be approved by the Board.

## Reporting

Copies of the minutes of meetings of the Committee shall be circulated to all members of the Board.  
The Committee shall ensure continuous disclosure obligations are satisfied in respect of any Material Information dealt with by the Committee.

## Authority

### Delegated Authority

The Committee shall have unrestricted access to the Auditors and other relevant parties and the ability to consult independent experts where considered necessary to carry out its duties.

The Auditors have unrestricted access to the Committee and the Committee Chair.

**This Charter was adopted on 17 October 2012**