



Audit, Risk & Compliance Committee (ARCC) Charter



Approved by NCL Board

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Audit, Risk and Compliance Committee Charter

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1. Introduction

- 1.1 The Board of Directors of Namoi Cotton Limited (NCL) and its related bodies corporate and subsidiaries (Group) has constituted this Audit, Risk and Compliance Committee (ARCC) to assist the Board in fulfilling its responsibilities for the corporate governance and oversight of the Group's financial reporting, internal control and risk management framework, internal and external audit functions.
- 1.2 This Charter sets out the role and responsibilities delegated by the Board to the Committee and records how the Committee will operate.
- 1.3 The Charter is available on the NCL's website and the key features are published in the annual report or a link to the governance section of the website is provided.
- 1.4 In this Charter:
 - i. CEO means NCL's Chief Executive Officer.
 - ii. CFO means NCL's Chief Financial Officer.
 - iii. Company Secretary means NCL's Company Secretary.
 - iv. Senior Executive responsible for risk and compliance means the CFO.
 - v. Independent Director has the meaning given to it in the 4th edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council.
 - vi. Financially Literate means a combination of financial knowledge, skills and business experience necessary for the purpose of discharging ARCC's role effectively and assessing and questioning information presented in its meetings.
 - vii. Trading risk refers to the financial and strategic risk of the cotton seed trading book for the domestic and international markets.

2. Authority

- 2.1. ARCC is a Board committee established in accordance with NCL's constitution (Constitution) and authorised by the Board to assist it in fulfilling its statutory and regulatory responsibilities. It has the authority and power to exercise the role and responsibilities set out in this Charter and granted to it under any separate resolutions of the Board from time to time.
- 2.2. ARCC has no authority independent of the functions delegated to it and is to report its findings and recommendations directly to the Board. The Committee's functions do not relieve the Board from any of its responsibilities.
- 2.3. ARCC is empowered to investigate any matter, with full access to all books, records, staff, contractors, consultants and any other persons associated with the Group and has the authority to engage independent accounting, legal, compliance, risk management or other professional advisers as it determines necessary to carry out its duties.

3. Composition

- 3.1. The Committee is to comprise at least three non-executive Directors of NCL, the majority being Independent Directors, all of whom must be financially literate.
- 3.2. ARCC's Members must have sufficient accounting and financial expertise and understanding of the Group's industry, to enable them to effectively discharge their duties.
- 3.3. ARCC's Chair and its members are Board Appointments.

- 3.4. ARCC's Chair must be an Independent Director who is not the Board's Chair.
- 3.5. If the ARCC Chair is absent from a meeting, then the remaining members will elect one of their number as Chair of the meeting.
- 3.6. ARCC's Secretary is the Company Secretary.
- 3.7. The ARCC Member's duties and responsibilities are additional to their Board duties.

4. Meetings

- 4.1. ARCC's Meetings and proceedings are governed by NCL's Constitution.
- 4.2. ARCC will meet at least four times each year corresponding with NCL's financial reporting cycle. Meetings may be convened at the Committee Chair's or the Board's request.
- 4.3. Special meetings may be convened as required.
- 4.4. The external auditor, with the approval of ARCC's Chair may request the Company Secretary to convene an ARCC meeting.
- 4.5. Any meeting's quorum consists of two ARCC members.
- 4.6. ARCC's Chair is responsible for overseeing the agenda and presiding over the meetings.
- 4.7. NCL Directors, who are not Committee Members, may attend ARCC Meetings and receive copies of its papers but they are not entitled to vote.
- 4.8. The CEO and the CFO are expected to attend each scheduled ARCC Meeting, and a standing invitation will be issued to the NCL's external audit engagement partner.
- 4.9. ARCC may extend invitations (as it considers appropriate) to any person to attend all or part of any meeting.
- 4.10. ARCC's Chair reserves their right to exclude members and/or other invited attendees from attending an ARCC Meeting, when dealing with matters involving an actual or perceived conflict. The member and/or invited attendee will be given three days' notice of their exclusion so they may put forward any reasons they may have for their non-exclusion to the Committee Chair.
- 4.11. ARCC's decisions will be decided by a majority vote and any dissenting members are entitled to have their opinion minuted.
- 4.12. ARCC may pass or approve their resolutions by circular resolution as required. A circular resolution will be deemed to be passed when the last member entitled to vote signs or consents to the resolution. A copy of ARCC's circular resolution must be provided at ARCC's next meeting.
- 4.13. Meetings may be held by the members communicating with each other through any means by which they can participate in discussion even though they may not be physically present in the same place.

5. The Committee Chair

The Committee Chair is responsible for:

- 5.1. Leading the Committee;
- 5.2. Facilitating the effective contribution of all Committee Members and promoting constructive and respectful relations between Committee Members and between the Committee and management; and
- 5.3. Approving the Committee's agenda and ensuring that adequate time is available for discussion of all agenda items, including strategic issues.

6. The Company Secretary

The Company Secretary will:

- 6.1. In conjunction with ARCC's Chair and the CFO, settle agendas for and arrange ARCC's meetings ensuring coverage of its business;
- 6.2. Distribute agendas and supporting papers to its members in advance of the meeting (preferably at least five business days);
- 6.3. Attend and take minutes of the meetings; and
- 6.4. The Committee's Minutes will be:
 - i. provided to the Chair within five business days of the meeting;
 - ii. circulated for the Committee's approval within four weeks; and
 - iii. tabled at the following Committee meeting.

7. The Committee Members may seek advice

Committee Members may seek independent professional advice at NCL's expense anytime they consider it necessary to discharge their responsibilities as Committee Members. This is to be in consultation with the Committee Chair and consultation and ultimate approval of expense with the Board Chair and/or Company Secretary.

8. Reporting

ARCC's Chair will report to the Board:

- i. the proceeding of each ARCC Meeting;
- ii. on any concerning matters and make appropriate recommendations; and
- iii. on any matter the Board refers to ARCC.

9. Review

The Committee Chair will review the Committee's performance annually in accordance with clause 11.3 of the Board Charter.

10. Responsibilities

The ARCC will carry out the following responsibilities:

10.1. Corporate Reporting

- i. Review the half year and annual financial statements presented by management, together with reports and opinions from the external auditor.
- ii. Review significant accounting and reporting issues and assess the appropriateness of accounting policies and methods chosen by management, particularly those relating to significant accounting estimates and judgements and the assessment of going concern.
- iii. Review recent regulatory and professional pronouncements and understand their impact on the financial statements.

- iv. Review the results of the audit with the external auditor, including significant adjustments, uncorrected misstatements and any difficulties encountered or unresolved disagreements with management.
- v. Review the appropriateness of disclosures in the financial statements and financial reporting to stakeholders, particularly in regard to estimates and judgements.
- vi. Review all matters to be communicated to the ARCC under Australian Auditing Standards with management and the external auditor, such as key audit matters, significant internal control deficiencies, indications of fraud or corruption and non-compliance with laws or regulations.
- vii. Review management representations, including the CEO and CFO declarations regarding the financial report and financial records.
- viii. Provide a recommendation to the Board whether the financial report should be approved, based on review of the financial statements, note disclosures and other information.
- ix. Review the other sections of the financial report before its release and consider whether the information is understandable and consistent with members' knowledge about the entity and its operations and is unbiased.

10.2. External Audit

- i. Assess the quality and effectiveness of the audit conducted and evaluate performance of the auditor.
- ii. Provide a recommendation to the board on the selection, appointment, reappointment or replacement of the external auditor and rotation of the engagement partner.
- iii. Review with the external auditor the scope and terms of the audit and the audit fee including a review of non-audit services provided by the external auditor.
- iv. Review the audit plan for coverage of material risks and financial reporting requirements.
- v. Monitor and review auditor independence and objectivity.
- vi. Establish ongoing communications with the auditors and ensure access to Directors and the ARCC.
- vii. Review reports from the external auditors (including auditor's reports, closing report and management letters).
- viii. Discuss with the external auditor matters relating to the conduct of the audit, including any difficulties encountered, any restrictions on scope of activities or access to information, significant disagreements with management and the adequacy of management response.
- ix. Review the external auditor's performance and the audit's effectiveness against market comparable standards.

- x. Meet with the external auditors at least once during the audit planning stage and once after the audit but prior to NCL reporting to the ASX. The Chair will decide if management is to be present.
- xi. Review both the external auditor's independence and objectivity based on:
 - 1. their relationships and services with the Group and other organisations;
 - 2. their policies for the provision of non-audit services;
 - 3. whether the provision of non-audit services impairs or appears to impair their judgement or independence.

10.3. Internal Audit

- i. Review the internal audit plan and ensure the plan addresses the strategic and operational risks selected for evaluation.
- ii. Review the internal audit function's programmed activities, ensuring only necessary restrictions and/or limitations are imposed.
- iii. Assess the overall effectiveness and evaluate performance of the internal audit function.
- iv. Ensure that management reviews and acts upon the internal auditor's significant findings and recommendations on a timely basis.
- v. Receive reports from the internal audit provider on its reviews of the adequacy of the NCL's risk management processes.
- vi. Review the professional qualifications of any outsourced provider (including the experience of the lead partner and auditing personnel) and the provider's independence, objectivity and performance.
- vii. Provide a recommendation to the Board on the appointment, reappointment or termination of an outsourced or in-house internal auditor as appropriate.

10.4. Risk Management, fraud and internal control

- i. Consider the impact of the entity's culture on risk management and internal control.
- ii. Monitor changes in the economic and business environment, including consideration of emerging trends and other factors relating to the entity's risk profile.
- iii. Review the effectiveness of processes for identifying the entity's risks and the appropriateness of the risk management procedures to maintain activities within the Board's risk appetite.
- iv. Review disclosures in the annual corporate governance statement in relation to the recognition and management of business risks.
- v. Consider the adequacy and effectiveness of the internal control and risk management framework by reviewing reports from management, internal audit and external audit, and by monitoring management responses and actions to correct any noted deficiencies.
- vi. Review the processes management has implemented for managing insurable risks including assessing the adequacy of the cover.

- vii. Review the business continuity planning process and be satisfied that material risks are identified and appropriate business continuity plans are in place.
- viii. Review management's anti fraud-corruption strategies and programs.
- ix. Enquire of management and the external auditor regarding their assessments of the risk of material misstatement in the financial report due to fraud.
- x. Review any material incident involving fraud or significant breakdown of internal controls.
- xi. Review the effectiveness of NCL's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of financial risks.

10.5. Compliance and ethics

- i. Consider the impact of the entity's culture on compliance processes.
- ii. Review the effectiveness of the entity's systems, policies and practices that relate to compliance with laws, regulations, internal policies and Accounting Standards, and the results of management's investigation and follow up (including disciplinary action) of any instances of non-compliance.
- iii. Obtain regular updates from management and the CFO about compliance and ethical matters that may have a material impact on the entity's financial statements, strategy, operations or reputation, including material breaches of laws, regulations, standards and company policies.
- iv. Review and monitor related party transactions.
- v. Review and where applicable, approve the policies, processes and framework for identifying, analysing and addressing complaints (including whistleblowing) and review material complaints and their resolution.
- vi. Discuss with management whether all regulatory compliance matters of the entity have been considered in the preparation of the financial statements, such as compliance with accounting standards and the requirement for the financial statements to reflect a 'true and fair' view.

10.6. Trading Risk

Review and recommend to the Board for approval, at least annually or as required,

- i. a Trading Risk Management Policy;
- ii. appropriate trading related credit and treasury policies; and
- iii. the risk limits within the Trading Risk Management Policy.

10.7. Other

The ARCC will be responsible for such other matters as the Board may refer to it from time to time.