

**PGG WRIGHTSON LIMITED**  
**AUDIT COMMITTEE CHARTER**  
(Ratified December 2009)

**1. CONSTITUTION AND MEMBERSHIP**

- 1.1 The Audit Committee is a Committee of the Board of Directors and shall be appointed by the Board of Directors from amongst the non-executive directors of PGG Wrightson Limited. It shall consist of not less than three members with a majority of members that are independent Directors. At least one member of the Committee shall have an accounting or financial background.
- 1.2 The Chairman shall be appointed by the Board and the Company Secretary shall act as the Secretary of the Committee.
- 1.3 A quorum shall be two members.
- 1.4 The Committee may have in attendance such members of management, the external auditors and such other persons as it may deem necessary to provide appropriate information or explanations.
- 1.5 Board members who are not members of the Audit Committee may attend Committee meetings at the invitation of the Committee.

**2. AUTHORITY**

- 2.1 The Committee is authorised by the Board to investigate any activity covered by its roles and responsibilities. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee. The Committee shall have the right of access to all company documents.
- 2.2 Any employee will have access to the Chairman at any time.
- 2.3 The Committee shall have the authority of the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 2.4 The charter will be reviewed annually or at the request of any member and amended as appropriate. The charter (and amendments) will be approved by the Board.

**3. ROLE**

- 3.1 The role of the Audit Committee shall be restricted to those matters set out in this Charter or referred by the Board and shall be concerned as to the effectiveness of the accounting and internal control systems intended to:
  - provide for the maintenance of books, records and accounts that accurately and fairly reflect the transactions and dispositions of the Group's assets and are supported by sound and adequate systems of internal accounting control;

- protect the assets of the Group from undue risk arising from a failure to adhere to prescribed policies and procedures, including Group ethical standards, or from fraud;
- ensure that timely and accurate management information is available;
- identify significant transactions notified to the Audit Committee that are outside the Group's normal course of business;
- provide the policies and procedures required to monitor executive management related expenditures;
- ensure compliance with the legal requirements in respect of accounting policies, financial reporting, internal control and external audit in all jurisdictions in which the Group operates; and
- monitor the systems in place to ensure the correct and ethical behaviour of executive management.

3.2 While the Audit Committee may be expressly requested by the Board to enquire as to specific risk management issues from time to time, it is acknowledged that the focus of the Audit Committee is in relation to the accounting and internal control systems set out in clause 3.1. It is further acknowledged that it is the responsibility of the Board to monitor external audit and broader risk management processes within the Company. The senior appointed Executive Officer will continue to be responsible directly to the Board for the discharge of these responsibilities.

3.3 The role of the Committee will provide an open avenue of communication on accounting, financial and internal control and audit issues between Internal Audit and the external auditors and management. This will include, for example, a full review of revised Delegated Authorities and Treasury Policy prior to consideration by the full Board and the Committee may inquire of management, Internal Audit and the external auditors about significant risks or exposures in relation to these matters and assess the steps management has taken to minimise such risks.

3.4 The external auditors will remain responsible to the shareholders for the exercise of their statutory responsibilities to determine that:

- a. the financial statements of the Group present a true and fair view of the results and the state of the Group's affairs;
- b. proper accounting records have been kept by the Group; and
- c. the Group financial statements contain the information required by the Companies Act 1993, or other applicable statutes or regulations.

The Committee in its relationship with the external auditors will be acting as the agent of the shareholders.

3.5 Internal Audit wherever possible, will remain part of the management process but a function of the Committee will be to ensure that they can operate with independence. Their tasks and responsibilities will, where necessary, be identified in conjunction with the external auditors.

The Committee will review and approve the Internal Audit annual plan.

- 3.6 The Committee should be satisfied that the half yearly and annual Group financial statements and all financial statements for any Group company which are released outside the Group, fairly state the results and cash flows for the period and the financial condition of the Group or Group company at the time of their issue.
- 3.7 The ability to form this view will flow from the role of the Committee. It will be based on the Committee's judgment as to the adequacy of the work completed by Internal Audit and the external auditors in reviewing the accounting records and systems, testing management's compliance with internal control systems and reporting to the Committee on their review. The Committee will, in forming its opinion, consider:
- whether the accounting policies are appropriate;
  - any changes in accounting policies and practices;
  - any departures from accounting standards;
  - major judgmental areas;
  - significant adjustments resulting from the audit;
  - all significant variances between the figures for the current year and the previous year;
  - any legal matters that could have a significant impact;
  - the extent to which there are items in dispute with the tax authorities and the adequacy of tax provisions;
  - the going concern assumption;
- 3.8 The Committee will consider based on advice from Management and the external auditors whether the financial statements:
- comply with the Group's accounting policies;
  - comply with generally accepted accounting standards and practice; and
  - fairly state the results, cash flows and financial condition of the company.
- 3.9 The Committee should be satisfied the financial statements comply with Stock Exchange requirements, Securities Regulations and any other like obligations.
- 3.10 Completion of the review of the financial statements will enable the Committee to recommend in writing to the Board on the adoption or otherwise of the financial statements before external release and that Directors can sign the external audit letter of representation.
- 3.11 The final task of the Committee will be to gain assurance that there is consistency between the annual report and the annual financial statements.

3.12 The Committee will establish a process for the review and reporting to the Board on any documents to be issued by the Company or any subsidiary in relation to securities issued under the Securities Act 1978 or Trustee Act 1956, or any other financially related documents and certificates that are signed by Directors and released outside the Group and not covered elsewhere in this Charter.

3.13 The Committee will make recommendations on the appointment and removal of the external auditors and ensure that the lead audit partner is changed every five years where the auditors continue in office for a period exceeding five years.

#### **4. SPECIFIC RESPONSIBILITIES**

The Committee will be responsible for:

4.1 Approving the nature, scope and cost of the external audit, after considering recommendations by Management. Emphasis will be placed on areas where the Committee, management, and or Internal Audit and external audit believe special action is required. As this will settle the terms of the audit engagement for the year, this must be completed as soon as practicable after the commencement of each financial year.

4.2 Monitoring the effectiveness of the Internal Audit function including the receipt of reports from the external auditors addressing:

- the results of the internal control reviews undertaken by the internal auditors on behalf of the committee with particular reference to the requirements of the Standards for the Professional Practice for Internal Auditing;
- the adequacy of the Internal Audit function operating at Group level specifically covering the extent to which activities include monitoring the aspects of paragraph 3.1 of the Charter, organisational structure, independence and technical proficiency;
- the extent to which Internal Audit has been used in the interim and year end financial reporting process including the degree of co-ordination with the external auditors.

The Committee will be responsible through management for ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the Group.

4.3 Obtaining reports from the Chief Financial Officer (“CFO”) or equivalent position, on:

- a. any recommended changes in accounting policies;
- b. any changes in accounting practices which are relevant to the Group;
- c. the quality of the accounting records and systems;
- d. the effectiveness of internal controls and the quality of Internal Audit and external audit work on them.

4.4 Arranging meetings with external auditors on matters arising from the Internal Audit and management reports received and on the external financial statements. This will

normally take the form of meetings with the CFO, the external auditors and the Committee.

- 4.5 Meetings at least annually with Internal Audit and the external auditors without any Group executives present. Internal Audit and the external auditors will at all times have unrestricted access to the Chairman.
- 4.6 Reporting to the Board from time to time on the performance of the external auditors and on any problems experienced, including differences of opinion with management. Approve the external audit remuneration and additional responsibilities allocated. Where any change in the firm is proposed, and after considering management's views, recommendations on both the method of appointment and the selection of the replacement firm will be the responsibility of the Committee.
- 4.7 Responding to questions about the Committee's work at the annual general meeting.
- 4.8 Providing prior approval for the external auditors to undertake any services in addition to their audit obligations. The Board has an 'audit independence' policy that the external auditors will not provide other services without prior Committee approval.

## **5. REPORTING PROCEDURES**

- 5.1 The Committee shall develop an annual plan of activities that addresses its role and responsibilities as outlined in this Charter. An agenda and Audit Committee papers will be prepared and circulated to members of the Committee prior to meetings and to all Board members. The Company Secretary shall keep minutes of the Committee's meetings which shall be circulated to all members of the Board and such other persons as the Committee or Board shall determine. Meetings of the Committee shall be held at least four times a year.
- 5.2 The Committee shall ensure the direct lines of communication with Group management, the CFO, Internal Audit and the external auditors are maintained as they consider appropriate.
- 5.3 The CFO will be responsible for drawing to the Committee's immediate attention any material matters which relate to the financial condition of the Group, any material breakdowns in internal controls and any material events of fraud or malpractice once evidence of such events is available.
- 5.4 Any communication from the external auditors and Internal Audit addressed to the Audit Committee will be circulated immediately.
- 5.5 The Audit Committee will be apprised of relevant facts in respect of partly owned subsidiaries, or associates, as if they were wholly owned subsidiaries.
- 5.6 The Audit Committee will report on a regular basis to the Board on the results of its activities.

## **6. COMMITTEE PERFORMANCE**

- 6.1 The Committee shall annually review, discuss and assess its own performance as well as the Committee's role and specific responsibilities. Any proposed changes in the role or responsibilities shall be referred to the Board for approval.