

# Audit and Risk Management Committee Charter

Happy Valley Nutrition Limited (5952532) (**HVN** or **Company**)

Adopted by the Board on 29 October 2019

## 1. Introduction

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The purpose of this Charter is to specify the authority delegated to the Audit and Risk Management Committee (**Committee**) by the Board and to set out the role, responsibilities, membership and operation of the Committee.

The Committee is a committee of the Board and is authorised by the Board to assist it in fulfilling its statutory, fiduciary 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. Role of the Committee

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The role of the Committee is to assist the Board in carrying out its accounting, auditing and financial reporting responsibilities, including oversight of:

- (a) the integrity of the Company's corporate reporting processes and financial statements, and the integrity and effectiveness of the internal control environment of the Company;
- (b) accounting and tax and related policies;
- (c) the appointment, remuneration, independence and competence of the Company's external auditors;
- (d) the performance of the external audit function and review of their audits;
- (e) the effectiveness of the Company's system of risk management and internal controls; and
- (f) the Company's systems and procedures for compliance with applicable legal and regulatory requirements.

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**3. Audit and Risk Responsibilities**

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**3.1 Corporate Reporting**

The Committee is responsible for:

- (a) reviewing management's processes for compliance with laws, regulations, adherence to accounting standards and other requirements relating to the preparation of accounts and corporate reporting by the Company of financial and non-financial information;
- (b) reviewing and assessing the appropriateness of material estimates, accounting judgements and significant choices exercised by management in preparing the Company's financial reports by examining the processes used and seeking verification from internal and external auditors;
- (c) overseeing the review of financial reports and reviewing the results of external audits of these reports;
- (d) reviewing the effectiveness and adequacy of the Company's corporate reporting processes and related internal control systems;
- (e) assessing (before publication) whether external reporting is consistent with Committee members' information and knowledge and is adequate for shareholder needs;
- (f) reviewing material documents and reports prepared for lodgment with regulators, assessing their impact on the Company and making recommendations to the Board on their approval or amendment;
- (g) ensuring that a comprehensive process is established to capture issues for the purpose of continuous reporting to ASX;
- (h) reviewing the completeness and accuracy of the Company's main corporate governance practices as required by ASX Listing Rules;
- (i) assessing information from external auditors that affects the quality of financial reports;
- (j) asking the external auditor for an independent judgement about the appropriateness of the accounting principles used and the clarity of financial disclosure practices used by the Company;
- (k) assessing solvency and the going concern assumption;
- (l) assessing the management of non-financial information in documents to ensure that conflicts with financial statements and other documents do not occur;

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- (m) assessing the process used by the Board to verify the integrity of any periodic corporate report released to the market that is not audited or reviewed by an external auditor;
- (n) recommending to the Board whether the financial and non-financial statements should be signed based on the Committee's assessment of them;
- (o) reviewing the completeness and accuracy of the Company's Corporate Governance Statement as required by the ASX Listing Rules; and
- (p) [overseeing that appropriate risk management and internal control processes are in place to form the basis upon which the CEO and CFO make their declarations to the Board under Principle 4 of the ASX Corporate Governance Principles and Recommendations.

**3.2 External Audit**

The Committee is responsible for:

- (a) making recommendations to the Board on the appointment and remuneration of the external auditor and, if appropriate, recommending that tenders be called to assist in deciding which external auditor should be recommended;
- (b) agreeing the terms of engagement of the external auditor before the start of each audit;
- (c) reviewing the external auditor's fee and being satisfied that an effective, comprehensive and complete audit can be conducted for the external auditor's set fee;
- (d) monitoring the effectiveness and independence of the external auditor, and periodically assessing their performance;
- (e) reviewing the external auditor's independence based on the external auditor's relationships and services with the Company and other organisations;
- (f) assessing whether the external auditor's provision of non-audit services impairs or appears to impair their judgement or independence and, if required, developing policies for Board approval to ensure this does not occur;
- (g) making recommendations to the Board on the removal of the external auditor;
- (h) ensuring that any recommendation to replace the external auditor is carefully evaluated before the Board makes a final decision;
- (i) inviting the external auditor to attend Committee meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;

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- (j) reviewing the scope and adequacy of the external audit, including identified risk areas and any additional procedures, with the external auditor on a periodic basis;
- (k) raising with the external auditor any specific points of divergence with the Company's management;
- (l) monitoring and examining management's response to the external auditor's findings and recommendations;
- (m) reviewing all representation letters signed by management and ensuring all information provided is complete and appropriate;
- (n) meeting at least annually with key management, external auditors and compliance staff to understand the Company's control environment and disclose, in relation to each reporting period, whether such a review has taken place
- (o) ensuring receipt of the CEO and CFO declaration required under Principle 4 of the ASX Corporate Governance Principles and Recommendations in relation to financial statements for a financial period;
- (p) meeting with the external auditor without management present at least once a year;
- (q) reviewing the process and controls which management has in place in relation to significant financial risks;
- (r) reviewing external auditor reports that highlight significant items/risks, for subsequent reporting to the Board; and
- (s) meeting with the external auditor regarding any restriction in non-audit scope.

### **3.3 Internal Control and Risk Management**

Recognising and managing risk is a crucial role of the Board, the Committee and management. Broadly their roles with respect to risks are as follows:

- (a) the role of the Board is to set the risk appetite for the Company (that is, the nature and extent of the risks it is prepared to take to meet its objectives), to oversee the risk management framework and to satisfy itself that the framework is sound;
- (b) the role of management is to identify risks, to develop and implement the risk management framework, and to manage and report on risks and monitor that the Company operates within the risk appetite set by the Board; and
- (c) the role of the Committee with respect to risks is to assist the Board, including:

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- (i) reviewing a risk profile which describes the material risks facing the Company including financial and non-financial matters;
- (ii) regularly reviewing and updating the Company's risk profile;
- (iii) ensuring that the Company has an effective risk management system and reviewing the risk management system at least annually to ensure that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure those risks remain within the risk appetite set by the Board;
- (iv) ensuring the risk management framework considers adequately contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data breaches, sustainability and climate change;
- (v) receiving management reports on new and emerging sources of risk, risk controls and mitigation measures;
- (vi) determining whether the Company has any material exposure to environmental and social risks, and if so, specifying how the Company intends to manage those risks;
- (vii) assessing and ensuring that there are internal processes for determining and managing key risk areas, such as:
  - non-compliance with laws, regulations, standards and best practice guidelines including industrial relations, health and safety, and environmental and trade practices laws;
  - important judgements and accounting estimates;
  - business licence requirements;
  - litigation and claims;
  - fraud and theft; and
  - relevant business risks not dealt with by other Board committees;
- (d) receiving reports concerning material and actual incidents within the risk areas above;
- (e) ensuring that macro risks are reported to the Board at least annually;
- (f) conducting investigations of breaches or potential breaches of non-financial internal controls, and incidents within the risk areas above;
- (g) evaluating the independence of external auditors;

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- (h) examining and evaluating the effectiveness of the internal control systems and processes with management and external auditors and making improvements;
- (i) making publicly available a description of the Company's risk management policy and internal compliance and control system in the corporate governance section of the Company's website;
- (j) encouraging voluntary reporting by employees to the Committee of breaches of internal controls and the Company's policies, and incidents within the risk areas above as applicable consistent with the Company's Whistleblower Policy (if adopted) or the Company's Code of Conduct;
- (k) assessing existing controls that management has in place for unusual transactions or transactions with more than an accepted level of risk;
- (l) reviewing the delegated levels of authority to management;
- (m) meeting at least annually with key management, external auditors and compliance staff to understand the Company's control environment and disclose, in relation to each reporting period, whether such a review has taken place;
- (n) evaluating the structure and adequacy of the Company's insurance program; and
- (o) overseeing the preparation of summaries and making recommendations to the Board:
  - (i) of main internal and external risk sources that could adversely affect the Company's prospects for future financial years, for inclusion in the operating and financial review section of the directors' report; and
  - (ii) for the Company's Corporate Governance Statement in the Company's annual report or on its website, including in relation to each reporting period:
    - (A) whether the review of the Company's risk management framework has taken place and, if appropriate, insights gained from the review and changes made as a result; and
    - (B) whether the Company has any material exposure to economic, environmental and social sustainability risks, and if so, how the Company intends to manage those risks.

**3.4 Related Party Transactions**

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

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**4. Membership**

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**4.1 Composition and Size**

Where practical, the Committee shall consist of at least three members appointed by the Board, all of whom are non-executive directors and the majority of whom are independent. The Board reserves the right to appoint external advisors to this Committee.

Where practical, each member must be free from any interest, business or other relationship which, in the opinion of the Board, could, or could reasonably be perceived to, materially interfere with the exercise of his or her independent judgement as a member of the Committee.

The term of service of Committee members will be reviewed by the Board at least annually with a view to rotating members periodically, but without losing the continuity of experience and knowledge gained by the members of the Committee.

If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor.

**4.2 Chairman**

Where practical, the Chairman of the Committee shall be an independent non-executive director who is not the Chairman of the Board.

The Chairman of the Committee will be appointed by the Board. If, for a particular Committee meeting the Committee Chairman is not present within 10 minutes of the nominated starting time of the meeting, the Committee may elect a chairman for that meeting.

**4.3 Technical Expertise**

The Committee must be structured so that:

- (a) all members are financially literate, that is, are able to read and understand financial statements;
- (b) at least one member has financial expertise, that is, is an accountant or financial professional with experience of financial and accounting matters; and
- (c) some members have an understanding of the industry in which the Company operates and existing risk management and insurance expertise.

**4.4 Company Secretary**

The Company Secretary of the Board shall be the Company Secretary of the

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Committee, but is not a member of the Committee.

## **5. Committee Meetings and Process**

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### **5.1 Meetings**

The Committee will meet as frequently as required to perform its functions, but not less than twice per year. The Chairman must call a meeting of the Committee if requested by any member of the Committee, the external auditor or the Chairman of the Board.

The Annual Report for a relevant financial year will disclose the number of times the Committee met throughout that financial year and the individual attendance of each member of the Committee at those meetings.

### **5.2 Quorum**

Two members of the Committee constitute a quorum for meetings of the Committee.

### **5.3 Attendance by Management and Advisers**

The Chief Executive Officer and Chief Financial Officer are expected to attend each scheduled meeting of the Committee and a standing invitation will be issued to the external auditors.

The Committee Chairman may also invite directors who are not members the Committee, other senior managers and external advisers to attend meetings of the Committee. The Committee may request management and/or others to provide such input and advice as is required.

### **5.4 Notice, Agenda and Papers**

The Chairman of the Committee will determine the meeting agenda after appropriate consultation.

Unless otherwise agreed or considered necessary by the Chairman, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, will be circulated by the Company Secretary to each Committee member and any other individual invited to attend. Copies of the Agenda and supporting papers are also to be circulated to all board members.

### **5.5 Minutes**

The Company Secretary will keep minute books to record the proceedings and resolutions of the Committee meetings.

The Chairman of the Committee, or delegate, will report to the Board after each Committee meeting.

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The Committee must refer any matter of significant importance to the Board for its consideration and attention.

#### **5.6 Access to Information and Advisers**

The Chairman of the Committee shall receive all reports between the external auditor and management.

The Committee has the authority to:

- (a) access HVN's documents and records;
- (b) obtain the advice of special or independent counsel, accountants or other experts, without seeking approval of the Board or management; and
- (c) access management and external auditors.

#### **6. Committee's Performance and Review and Publication of Charter**

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The performance of the Committee will be reviewed on an annual basis, or earlier if circumstances dictate. The performance evaluation will have regard to the extent to which it has met its responsibilities in terms of this charter.

#### **7. Review and publication of charter**

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This charter shall be reviewed on an annual basis to ensure it remains relevant to the current needs of the Company. The charter may be amended by resolution of the Board.

This charter will be available on the Company's website and the key features will be published in the Corporate Governance Statement.