



Cotton Seed Distributors Limited

Board Audit Committee Charter

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1. The Audit Committee

1.1. Role

The Board Audit Committee ("Committee") is a committee of the Board of Directors ("Board") of Cotton Seed Distributors Limited and its subsidiaries ("CSD").

The Committee's primary functions are to:

- 1) Review the integrity of CSD's financial information and systems, internal and external reporting;
- 2) Review the internal controls, policies and procedures that CSD uses to identify and manage business risks;
- 3) Review the external auditor's annual audit of the financial statements;
- 4) Review CSD's compliance with legal and regulatory requirements.
- 5) Review and assess the external auditors' activities, scope and independence;
- 6) Review and assess the internal auditors' activities, scope and independence;
- 7) Review the management process for the identification of significant business risks and exposures (including fraud), and review and assess the adequacy of management information and internal control structures;
- 8) Obtain regular updates from management, matters that may have a material impact on the company's activities.

The existence of the Committee does not diminish the Board's responsibility to ensure the integrity of the financial reporting and to manage risk.

2. Functions of the Audit Committee

2.1. Financial Statements review

The Committee will pay specific attention to:

- 1) The consistency of accounting policies and appropriate adoption of any new accounting standards;
- 2) Considering the need for, appropriateness of and correct disclosure of, any changes made to the company's accounting policies;
- 3) The treatment and disclosure of complex or unusual transactions, including off-balance sheet structures;
- 4) Significant judgments made by management in preparing the financial statements, including any significant accounting estimates;
- 5) The going-concern assumptions.

2.2. Authority

The Board has authorised the Committee, within the scope of its duties and responsibilities set out in this charter to:

- Perform the activities required to address its responsibilities and make recommendations to the Board;
- Resolve any disagreements between management and the external auditor, with areas of significant disagreement being advised to the Board;

- Subject to the agreed protocol:
 - i. Require the attendance of any company manager or staff member at meetings , as appropriate;
 - ii. Have unrestricted access to management, employees and information it considers relevant to its responsibilities under this charter.

2.3. Membership and Term

Members of the Committee will be appointed by the Board from the non-executive Directors of CSD. The Committee shall consist of a minimum of 3 non-executive Directors.

- Appointment of Committee members is reviewed annually.
- The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.
- The duties and responsibilities of a member of the Committee shall be in addition to those duties set out for a Director of the Board.
- Committee members will have a working familiarity with basic finance accounting practices. It is appropriate that members of the Committee have a range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of CSD.
- At least one member of the Committee should have accounting or related financial management expertise and at least one member should have a detailed understanding of the industry in which CSD operates.

2.4. Education

CSD will assist the Committee in maintaining appropriate financial literacy. CSD is responsible for providing new members with an appropriate induction program and educational opportunities, and the full Committee with educational resources relating to accounting principles and procedures, current accounting and risk management issues pertinent to the company, and other resources, as reasonable requested by the Committee.

2.5. Chair

The Chair of the Committee will be appointed by the Board. The Chair must be an independent Director who is not Chair of the Board.

Should the Chair be absent from a meeting and no acting Chair has been appointed, the members of the Committee present at the meeting shall choose one of the other members of the Committee to chair that particular meeting.

2.6. Meetings

The Committee must meet at least three times per year.

If a member is unable to be physically present, they may participate by video or teleconference.

In addition, the Chair will call a meeting of the Committee if so requested by any member of the Committee, by the external auditor or by the Chair of the Board.

The Committee Chair may invite any person or persons (other than duly appointed members) to attend meetings of the Committee, but not necessarily for the full duration of the meeting. A standing invitation shall be issued to:

- The Managing Director;
- The CFO;
- The external auditors;
- The internal auditors.

The Chair may invite other members of the Board from time to time on a needs basis.

Without the presence of management, the Chair of the Committee meets at least annually with the external auditor. Additionally the Committee sets aside time at each meeting for private discussion with the external auditor present.

2.7. Quorum

The quorum for a meeting is two members.

2.8. Secretary

The Company Secretary of CSD shall act as Secretary of the Committee.

2.9. Reporting

Proceedings of all meetings are to be minuted and signed by the Chair or the chair of the Committee meeting. Minutes of all Committee meetings are to be circulated to the Board.

The Committee, through its Chair, reports to the Board at the earliest possible Board meeting after each Committee meeting. The Chair will summarise the issues discussed at the meeting.

Through the above mechanisms, all matters relevant to the Committee's role and responsibilities will be reported to the Board.

2.10. Scope, Access and Authority

The activities of the Committee are in relation to CSD. As directed by the Board, the Committee may also provide advice to other entities related to CSD.

The Committee has **direct access** to CSD's external auditor. It has the authority to seek any information it requires to carry out its duties from any officer or employee of CSD and such officers or employees shall be instructed by the Board of the company employing them to cooperate fully in the provision of such information.

2.11. Fees

Committee members are entitled to receive remuneration as determined from time to time by the Board.

2.12. Other responsibilities

Ensure that there is a process in place for the Board Chair and Committee Chair to be immediately informed of any issue of significant non-compliance or litigation. Oversee the process for the receipt, retention and treatment of information receiving from the Whistleblower Standard and procedures, and also from the external complainants regarding matters relating to audit, the financial statements internal controls or possible fraud.

Review any fraud reports. Review and discuss any reports concerning any breach of fiduciary duty. Hold regular executive sessions with the Managing Director, CFO and other senior management to discuss relevant matters with the Committee.

Act as a forum for the communication between the Board and senior management and internal and external audit. Review the effectiveness and level of cooperation between management and the external auditors. Review reports to the stakeholders on the role and responsibilities of the Committee. Conduct special investigations (if required). Perform any other duty or undertaking that the Board may request from time to time.

Review, for potential conflict of interest situations, and pre-approve related party transactions on an ongoing basis.

3. Internal Auditor

3.1. Appointment

The Committee will recommend the appointment, remuneration and removal of internal audit team to the Board.

The internal auditor (IA) will be independent of CSD.

The Internal auditor may be from an audit firm separate to the external auditor.

In the event that the internal auditor is from the external audit firm, the internal audit staff will be separate from any staff working on the external audit team.

3.2. Internal Audit programme

The Committee will in conjunction with management recommend and review the internal audit program to ensure the appropriate organisational structures, authority, access and reporting arrangements are in place.

The Committee will also:

- Ensure appropriate resources are applied to the internal audit process.
- Review the internal audit coverage and annual work plan, and monitor progress of the work plan;
- Review progress on management actions on issues identified. Monitor progress against the annual work plan, including any significant changes to it, any difficulties or restrictions on the scope of activities and any significant disagreements with management.
- Consider the major findings of the internal audit reports and review management's response in terms of content and timeliness. Monitor management's implementation of internal audit recommendations. Periodically review the performance of the internal audit process.

3.3. Internal audit functions:

- Objectively monitor and report on the health of financial, operational, and compliance controls.
- Provide insight into the effectiveness of risk management.
- Offer guidance regarding effective governance.
- Become a catalyst for positive change in processes and controls.
- Deliver value to the Committee, executives, and management in the areas of controls, risk management, and governance to assist in the Committee's assessment of the efficacy of programs and procedures.
- Coordinate activities and share perspectives with the external auditor.

4. Board Audit Committee Review

4.1. Reviews

To ensure that the Committee is fulfilling its stewardship duties to the Board, the Committee will:

- Review, at least annually, the Committee Charter and recommend to the Board any appropriate amendments for approval;
- Review the annual work plan incorporating any changes in the Charter;
- With the inclusion of the Board, conduct an annual assessment of its performance against its chartered duties and responsibilities and provide a report of the findings to the Board;

- With the inclusion of the Board, conduct an annual assessment of each Committee member