



The Rice Food Experts

CORPORATE POLICY

APPOINTMENT OF CONSULTING SERVICE PROVIDERS

NOVEMBER 2007

VERSION 2.0

1. RESPONSIBILITIES

Tasks to be undertaken	Responsible Position
Position responsible for final review and approval	Chief Financial Officer
Position responsible for enforcing this procedure	General Manager Finance
Position responsible for updating this procedure	General Manager Finance
How often this procedure to be reviewed	Every 2 years or when legislative changes require amendments
Position to review and approve any updates	General Manager Finance

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2. PURPOSE

This procedure details the guidelines, as agreed by the Finance and Audit Committee and the Board, for the selection and appointment of Consulting Service providers.

3. SCOPE

The Corporate Law Economic Reform Program Act 2004 (CLERP 9) focused on independence of Australian Company Auditors and made a number of proposals that were incorporated into the Corporations Act 2001.

This procedure seeks to set out guidelines for the appointment of service providers and considers the ability of our auditors to provide non audit services without impacting on their independence.

Special focus will be placed on:

- The appointment of external auditors and the provision of non audit services by the incumbent audit firm.
- The method by which service providers are appointed.
- Appointment of general consulting services.
- Managements Approval Limits.

4. REFERENCES

The Corporate Law Economic Reform Program Act 2004 (CLERP 9) and Corporations Act 2001 (Section 300)

The following outlines the key areas affecting this procedure:

1. Appointment of Auditors

- Ensuring that at all times the auditor is independent of all companies within the group
- Monitoring the performance of the auditor with respect to the provision of audit services
- Agreeing the scope of the annual audit and determining the remuneration for the audit
- Assessing the auditor's ability to provide non audit services without impacting on their independence

2. Independence

The Corporations Act includes a general principle requiring independence of auditors. Three key issues that need to be addressed when considering auditor independence included:

- **Employment relationships:** it is regarded as inappropriate for the auditor or any of the auditor's partners (current or retired), employees, or family to be officers or directors of the client or to be in a position which could affect the audit engagement.

The Corporations Act limits a former audit partner who was directly involved in the audit to become a director or take a position involving responsibility for fundamental management decisions for a period of two years following the resignation from an audit firm.

- **Financial Relationships:** it is regarded as inappropriate for the auditor or any of the auditor's partners, (current or retired) employees, or immediate

family to directly or indirectly invest in the client or accept a loan from the client.

- **Business Relationships:** it is regarded as inappropriate for the auditor or any of the auditor's partners, (current or retired) or employees to have business relationships, beyond the professional service provided by the auditor, which are both significant to the auditor and the client.

The Corporations Act requires the auditors to provide an annual declaration that the auditor has maintained independence.

3. Non Audit Services

A total ban of non audit services was not considered necessary to protect the audit process. Further, it was considered that in some cases there was significant advantage in allowing the provision of non audit services by the audit firm, given the intimate knowledge the audit firm has of the client's operations.

As a broad guideline it would seem inappropriate for the audit firm to provide a service to the same client when this could involve the firm in auditing its own work.

The Corporations Act requires mandatory disclosure in the annual report of fees for non audit services provided by the audit firm and a statement by the board that it is satisfied that the provision of non audit services is compatible with auditor independence.

5. PROCEDURE

5.1 Audit Services

Appointment of Auditor

The following procedure applies:

1. The Finance and Audit committee shall have the responsibility for identifying an appropriate firm to undertake the annual audit of the Group.
2. The selection process will be on the basis of a tender whereby each invitee will present their credentials to the Finance and Audit Committee.

3. It will be the responsibility of the Finance and Audit Committee to satisfy itself that no conflicts exist which would impact the ability of the selected audit firm to undertake the audit assignment in a professional and independent manner.
4. The Finance and Audit Committee will recommend its preferred candidate to the Board for ratification.
5. Once appointed, the Finance and Audit Committee will be responsible for monitoring the professional performance and independence of the auditor.
6. Further the Finance and Audit Committee will be responsible for agreeing the remuneration for the annual audit.

Tenure of Audit

1. Subject always to the auditor providing an ongoing satisfactory level of service, their tenure should be reviewed periodically (every 5 years).
2. At this review, if the Finance and Audit Committee is satisfied that the services being provided are of an acceptable standard, then they may continue with the audit firm.
3. The audit partner responsible for the assignment is required by law to be rotated on the assignment after 5 years.

Responsibility of Auditor

The auditor is required to provide the following to assist the Finance and Audit Committee in assessing the audit firm's independence:

1. A annual declaration to the board that they have maintained their independence
2. Annually, or upon request, provide an analysis of all fees together with a description of the services rendered
3. Annually report formally on their audit quality and independence

5.2 Non Audit Services

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Provision of Non Audit Services By Audit Firm

1. It is considered appropriate for the audit firm to provide ongoing taxation advice and assistance in connection with the normal operation of the business and to assist with, the annual preparation of its Tax Returns and other lodgements such as; FBT Returns, GST Returns and Payroll Tax Returns.
2. It is considered inappropriate for the audit firm to undertake assignments for non audit services, where the assignment could lead to the audit firm auditing its own work. Following are areas which are considered as “inappropriate services” ;
 - a. Preparing accounting records and financial statements of the audit client,
 - b. Valuation services(excluding those that may be needed for Tax Return purposes),
 - c. Internal Audit services,
 - d. Information Technology Systems services,
 - e. Temporary staff assignments,
 - f. Litigation support services,
 - g. Legal services,
 - h. Recruitment of senior management for the audit client,
 - i. Corporate finance and similar activities.
3. Where there are non audit services for which management believes the audit firm has significant expertise and the provision of which will not impair the auditor’s independence, then the following procedure must be adopted:
 - 3.1. Chief Financial Officer to discuss with the Chairman of the Finance and Audit Committee the proposed appointment before proceeding.
 - 3.2. Management to prepare a “request for service” document and request the audit firm and at least two other service providers to submit for the assignment.
 - 3.3. If the project is expected to cost more than \$100,000 the Chairman of the Finance and Audit Committee should review the process and

approve the appointment prior to notification being issued to the successful candidate.

- 3.4. The Chief Financial Officer will, at each meeting, provide the Finance and Audit Committee with a summary of all expenditure incurred with the audit firm for non audit and tax related services.

Consulting Services

From time to time the Company will need to appoint advisers with superior expertise in a particular area.

'Consulting Services' include any corporate service where a third party is being engaged to provide specialist advice on a particular subject or in a particular area. This includes the following:

- Financial and management advice.
- Banking and legal expertise.
- Engineering, process management, quality and information technology consulting.
- Any consultant or specialist being engaged by the business that is not directly associated with an approved Capital Project.

In these circumstances the following policies will apply. (These are assignments which do not involve the audit firm)

1. Assignments less than \$250,000
 - 1.1. The Chief Executive Officer may approve all consulting assignments to a maximum of \$250,000 without the need to refer to the Finance and Audit Committee
 - 1.2. While in all cases competitive quotes should be received, for assignments less than \$100,000, the Chief Executive Officer will have discretion to determine the process, depending on the nature of the assignment and the candidates available to provide the service
 - 1.3. Assignments above \$100,000 will be awarded via a tender process.
2. Assignments greater than \$250,000

- 2.1. The Chief Executive Officer and Chief Financial Officer will discuss all proposed assignment between \$250,000 and \$500,000 with the chair of the Finance and Audit Committee before proceeding
 - 2.2. Depending on the nature of the assignment these may be referred to the full Finance and Audit Committee
 - 2.3. These assignment will be granted via a tender process
 - 2.4. All assignments greater than \$500,000 must receive Board approval before commencement
3. Review by the Finance and Audit Committee
- 3.1. The Chief Financial Officer at every Finance and Audit Committee meeting will table a schedule outlining any new consulting projects undertaken since the previous meeting with a value greater than \$100,000.