



The Rice Food Experts

Description of Risk Management and Internal Control

Ricegrowers Limited

ACN 007 481 156

Approved 13 September 2007

Introduction

The Board recognises that effective risk management processes assist in ensuring the achievement of business objectives.

The Board has authorised the Finance and Audit Committee to assist it in carrying out its responsibilities in terms of risk oversight and management and reviewing the effectiveness of internal control systems.

The Committee has established a risk management framework based on the requirements of AS/NZS Standard 4360:2004 - Risk Management. This framework is supported by the Strategic Risk Management Policy and Procedures which have been endorsed by the Committee.

The Role of the Board

The Board is responsible for the following in relation to Risk Management and Internal Control –

- Review and approval of the strategic risk management framework
- Review of Finance and Audit Committee activities and reports
- Defining the responsibilities of senior management in ensuring risks are both identified and effectively managed
- Review of monthly reporting by senior management on operations, financial results and the current status of strategic risks and mitigation plans in place

The Role of the Finance and Audit Committee

As outlined in its Charter the Committee is responsible for monitoring the following in relation to Risk Management and Internal Control -

- Ensure that a comprehensive risk management policy is in place and is regularly reviewed and updated;
- Ensure that systems are in place to identify, minimise, and manage business and technology risks (within acceptable limits), and that those systems are working effectively;
- Ensure that internal control systems are practical and cost efficient; appropriately implemented and are working effectively;
- Ensure that the security of computer systems and relevant contingency plans are efficient and cost effective;
- Evaluate the overall effectiveness of internal control and risk management systems and ensure that management has implemented recommendations made by external and internal audit;
- Assess the adequacy of insurance coverage, given Ricegrowers prevailing circumstances;
- Review policies for the prevention of fraud and their implementation;
- Commission, monitor and review the results of any special investigations;
- Review policies on sensitive issues or practices such as trade practices and environmental issues; and
- Review policies to avoid conflicts of interests and, as required, review past or proposed transactions between Ricegrowers and members of the Board and management.

Types of risks

The Board and Executive Management have a regular process of review to identify, monitor and assess risks, including those arising from the following -

- The internal environment, such as resource availability, management capability, business structure and culture; and
- The external environment, such as economic conditions, political developments, technical developments, environmental factors, competitors and regulation.