

BARBADOS DAIRY INDUSTRIES LIMITED

AUDIT COMMITTEE CHARTER

2014

AUDIT COMMITTEE CHARTER

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PURPOSE

The Audit Committee will assist the Board of Directors in fulfilling its fiduciary responsibilities. The Audit Committee will review the financial reporting process, the system of internal control, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct. In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, Management, and the Internal and External Auditors. To effectively perform his or her role, each Committee member will obtain an understanding of the detailed responsibilities of Committee membership as well as the Group's business, operations and risks.

COMPOSITION

- **Size**

The Audit Committee will consist of at least three (3) non-executive members of the Board of Directors.

- **Appointment of Committee Members**

The Board will appoint Committee members and the Committee Chair.

- **Quorum**

There will be at least two (2) non-executive directors at each meeting.

- **Membership Qualifications**

Each of the three minimum required directors will be financially literate or become financially literate within a reasonable period of time after their appointment to the Committee.

- **Independence of members**

The Audit Committee members shall be made up of the independent members of the Board of Directors. A director is **not** independent if:

- He or she is employed by the Company for the current year or any of the past two (2) years.
- He or she is accepting any direct compensation from the Company other than compensation for Board service.
- He or she is a partner in, or a controlling shareholder or an executive officer of, any for profit business organization to which the Company made, or from which the Company received, payments that are or have been significant to the Company or any of its subsidiaries in any of the past two (2) years.
- He or she is being employed as an executive of another company where any of the Company's executive serves on that company's compensation committee.

- **Frequency of meetings**

- The Committee shall meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require.
- The Committee may invite the Managing Director, the Chief Financial Officer, the Group Internal Audit Manager, the External Auditors or others to attend meetings and provide pertinent information, as necessary.
- Internal audit and the External Auditors may convene a meeting if they consider it necessary.
- Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared at the meeting.

AUTHORITY

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Facilitate the execution of the internal audit function as defined in the internal audit charter.
- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the External Auditor regarding financial reporting.
- Pre-approve all internal and external auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- Meet with company officers, External Auditors, or outside counsel, as necessary.

ROLES AND RESPONSIBILITIES

- **Financial Reporting**

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Ask management and the Internal and External Auditors about significant risks and exposures and the plans to minimize such risks.
- Meet with management and the External Auditors to review the results of the audit, including any difficulties encountered.
- Consider management's handling of proposed audit adjustments identified by the External Auditors.

- Review the annual financial statements, and determine whether they are complete, consistent with the information known to Committee members, and reflect appropriate accounting principles.
 - Review the annual report before its release and consider whether the information is adequate and consistent with members' knowledge about the company and its operations.
 - Review financial reports before filing with regulators, and consider whether they are complete and consistent with the information known to Committee members.
- **Internal Control**
 - Evaluate whether management is setting the appropriate tone at the top by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities.
 - Focus on the extent to which management reviews computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a system breakdown.
 - Focus on the extent to which Internal and External Auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of a systems breakdown.
 - Understand the scope of Internal and External Auditor's review of internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
 - Gain an understanding of whether internal control recommendations made by Internal and External Auditors have been implemented by management.
 - Ensure that management, the Internal Auditors and the External Auditors keep the Committee informed about fraud, illegal acts, deficiencies in internal control, and any other relevant matters.
 - **Compliance with Laws and Regulations**
 - Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) on any fraudulent acts or accounting irregularities.
 - Obtain regular updates from management and company legal counsel regarding compliance matters.
 - Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
 - Review the findings of any examinations by regulatory agencies such as the Financial Services Commission and the Barbados Revenue Authority and any Auditor observations.

- **Compliance with Code of Conduct**

- Ensure that a code of conduct is formalized in writing and that all directors and senior managers are aware of it.
- Evaluate whether management is setting the appropriate tone at the top by communicating the importance of the code of conduct and the guidelines for acceptable business practices.
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance.
- Obtain regular updates from management and company legal counsel regarding compliance matters.

- **Internal Audit**

- Review with management and the Group Internal Audit Manager the internal audit charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Review reports issued by internal audit and management's response and subsequent follow-up of identified weaknesses.
- Ensure there are no unjustified restrictions or limitations of the audit scope.
- Review and concur in the appointment, replacement, reassignment, or dismissal of the Group Internal Audit Manager.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing.

- **External Audit**

- Review the External Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review all management letters with recommendations and management's response and subsequent follow-up on identified weaknesses.
- Review the performance of the External Auditors and recommend to the Board of Directors the appointment or discharge of the External Auditors.
- Confirm the independence of the External Auditors by reviewing the non-audit services provided and the Auditors' assertion of their independence in accordance with professional standards.

- **Reporting Responsibilities**

- Regularly report to the Board of Directors about Audit Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between Internal Audit, the External Auditors, management and the Board of Directors.

- **Other Responsibilities**

- Meet with the External Auditors, Group Internal Audit Manager and management in separate sessions to discuss any matters that the Committee or these groups believe should be discussed privately.
- Ensure that significant findings and recommendations made by the Internal and External Auditors are received and discussed on a timely basis.
- Review, with the company's counsel, any legal matters that could have a significant impact on the company's financial statements.
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- Ensure that the Board is aware of matters which may significantly impact the financial conditions/affairs of the Company.
- Perform other oversight functions as requested by the Board of Directors.
- Review and update the Audit Committee charter; receive approval of changes from the Board.

| Approved by the Board of Directors on _____ day of _____, ~~2010~~2014.

Chairman of the Board

Audit Committee Chairman

C.E.O./Managing Director

