



Company Milkiland N.V.  
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## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF MILKILAND N.V.**

These Terms of Reference indicate the role and responsibility of the Audit Committee (the “Audit Committee”) of Milkiland N.V. (the “Company”), its composition and the manner in which it discharges its duties.

The Board of Directors adopted these Terms of Reference to ensure compliance with corporate governance principles and best practice provisions stipulated in Dutch Corporate Governance Code 2016, Best Practice Provisions for WSE Listed Companies 2016, and European Commission Recommendation of 15 February 2005 (2005/162/EC).

The Terms of Reference of the Audit Committee shall be published on the Company's website [www.milkiland.nl](http://www.milkiland.nl).

### **1. Composition of the Audit Committee**

- 1.1. The Audit Committee shall consist of 3 members, and the following requirements shall be observed in composing the Audit Committee:
  - 1.1.1. the Audit Committee shall be comprised exclusively of non-executive directors;
  - 1.1.2. at least, majority of the Audit Committee members (2 of 3) must be independent;
  - 1.1.3. at least one (1) member of the Audit Committee shall be a so called financial expert, in the sense that such person has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.
- 1.2. The members of the Audit Committee are appointed for the term defined in the Board of Directors’ resolution on their appointment, but no longer than they perform non-executive directors’ duties for the Company.
- 1.3. The Board of Directors shall appoint one of the Audit Committee members as a Chairman of the Audit Committee. The Audit Committee shall not be chaired by the Chairman of the Board of Directors or be a former executive director of the Company. The Chairman of the Audit Committee should meet the independence criteria.
- 1.4. The Chairman of the Audit Committee shall be primary responsible for the adequate performance of the Audit Committee, and acts as a spokesman of the Audit Committee and is the primary contact for the Board of Directors regarding the Audit Committee activities.
- 1.5. The Company should provide an induction program for new Audit Committee members. All Audit Committee members should be provided in particular with full information relating to the Company’s specific accounting, financial and operational features.

### **2. Role of the Audit Committee**

- 2.1. With respect to the Terms of Reference for the Board of Directors and other internal policies and procedures adopted by the Company, the Audit committee should, at least, assist the Board of Directors to:
  - 2.1.1. monitor the integrity of the financial information provided by the Company, in particular by reviewing the relevance and consistency of the accounting methods used by the Company and its group (including the criteria for the consolidation of the accounts of companies in the group);

- 2.1.2. supervise the operation of the Company's internal risk management and control systems, including supervise the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct; review at least annually the internal control and risk management systems, with a view to ensuring that the main risks are properly identified, managed and disclosed;
  - 2.1.3. ensure the effectiveness of the internal audit function, in particular by making recommendations on the selection, appointment, reappointment and removal of the head of the internal audit unit and on the department's budget, and by monitoring the responsiveness of management to its findings and recommendations. If the Company does not have an internal audit function, the need for one should be reviewed at least annually;
  - 2.1.4. advise the applications of information and communication technology (ICT), including advise on management of cybersecurity risks of the Company;
  - 2.1.5. advice the policy of the Company on tax planning; and regarding the Company's financing;
  - 2.1.6. review the process whereby the Company complies with existing provisions regarding the possibility for employees to report alleged significant irregularities in the Company, by way of complaints or through anonymous submissions, and should ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
  - 2.1.7. provide the Board with the information required for it to prepare the corporate governance report, including general information on how the Audit Committee has carried out its duties, the number of meetings and the main items discussed;
  - 2.1.8. prepare the review by the Board of Directors of the annual accounts and the review by the Board of Directors of the annual budget and major capital expenditures of the Company;
  - 2.1.9. evaluate each year the performance of the Audit Committee and the adequacy of the internal rules governing the Audit Committee.
- 2.2. The Audit Committee is entitled to investigate any matters, belonging to the domain entrusted to the Audit Committee. The Audit Committee is authorized to request all necessary information from the Chairman of the Board of Directors. The Audit Committee should be free to obtain advice and assistance from outside legal, accounting or other advisors as it deems necessary to carry out its duties, and should receive appropriate funding from the Company to this effect.

### **3. Role of the Audit Committee with respect to the external audit of the Company**

- 3.1. With respect to the external auditor engaged by the Company, the Audit Committee should at least:
- 3.1.1. make recommendations to the Board of Directors and General Meeting of Shareholders in relation to the selection, appointment, reappointment and removal of the external auditor, and to the terms and conditions of his engagement;
  - 3.1.2. monitor the external auditor's independence and objectivity, in particular by reviewing the audit firm's compliance with applicable guidance relating to the rotation of the audit partners, the level of fees paid by the Company, and other related regulatory requirements;
  - 3.1.3. keep the nature and extent of non-audit services under review, based inter alia on disclosure by the external auditor of all fees paid by the Company and its group to the audit firm and network, with a view to preventing any material conflicts of interest from arising;
  - 3.1.4. review the effectiveness of the external audit process, and the responsiveness of management to the recommendations made in the external auditor's management letter;

- 3.1.5. investigate the issues giving rise to any resignation of the external auditor, and make recommendations as to any required action;
- 3.1.6. shall, together with the external auditor, be involved in drawing up the work schedule of the internal audit function. They shall also take cognizance of the findings of the internal audit function.
- 3.2. The Audit Committee shall act as the principal contact for the external auditor if he discovers irregularities in the content of the financial reports.
- 3.3. The Audit Committee shall determine how the external auditor should be involved in the content and publication of financial reports other than the annual accounts of the Company.
- 3.4. At least every four years, the Audit Committee shall, together with the Board of Directors, thoroughly assess the functioning of the external auditor in the various entities and capacities in which the external auditor operates. The main conclusions of this assessment shall be communicated to the Company's General Meeting of Shareholders for the purposes of assessing the nomination for the appointment of the external auditor.
- 3.5. The Audit Committee meets with an external auditor as often as it is necessary, but at least once per year. The external auditor of the Company may ask the Chairman of the Audit Committee to be allowed to be present at the Audit Committee meetings.

#### **4. Meetings of the Audit Committee**

- 4.1. The Audit Committee holds at least 4 meetings per year, and whenever one or more of the Audit Committee members have requested a meeting. Audit Committee meetings are generally held at the offices of the Company, but may also take place elsewhere, or by means of video-audio communication.
- 4.2. The Audit Committee meeting is convened by the member requesting the meeting. When practicable, the notices about the meeting shall be given at least 5 days before the meeting to each member of the Audit Committee.
- 4.3. The Audit Committee decides by simple majority of its members (2 of 3). The decision of the Audit Committee may be passed in writing, including electronic messages, or transmitted by any accepted means of communication.
- 4.4. The meeting of the Audit Committee is documented regardless of its format. The Audit Committee members select a person responsible for documenting the meeting among the participants of the Audit Committee meeting. If the head of internal audit unit (internal auditor) is present at the meeting, he/she is responsible for documenting the meeting.
- 4.5. The Minutes of the meeting shall be prepared and adopted by the Audit Committee members no later than the subsequent meeting of the Audit Committee. If all members of the Audit Committee agree on the contents of the minutes they may be adopted earlier. The Minutes of the Audit Committee meetings are stored by the head of internal audit unit (internal auditor) and shall be provided to Audit Committee members.
- 4.6. The Audit Committee shall decide if and when the Chairman of the Board of Directors or any other members of the Board of Directors, the external auditor or the head of internal audit unit (internal auditor) of the Company, Chief Financial Officer of the Company or other persons will be present at the Audit Committee meetings.

*10 November 2017*

*Board of Directors, Milkiland N.V.*