

## 1 Purpose and Powers

1.1 The Board of Directors have established a Committee of the Board to review the scope, integrity and effectiveness of:

- the internal and external audit functions;
- financial reporting; and
- risk management.

This Committee is known as the Audit and Risk Committee.

1.2 The function of the Committee is to:

- review, consider and if necessary, investigate any reports or findings arising from any audit function either internally or externally;
- evaluate financial information submitted to it, along with relevant policies and procedures; and
- assess the effectiveness of risk management throughout the company and the Group.

1.3 The Committee has no powers unless delegated specifically on specific issues by the Board from time to time.

## 2 Membership

2.1 The membership of the Committee is to comprise at least three non-executive directors with the majority being also independent directors (one of whom must have an accounting and financial background). Other Directors may be called upon as required.

2.2 Two Directors who are members of the Committee are required to form a quorum. Committee meetings are held as required.

2.3 Committee meetings are regularly attended by the Chief Executive, the Chief Financial Officer, other senior management and the external auditors, by invitation.

## 3 Reviewing Financial Statements

This function is to take place before the Board of Directors meet to approve the financial statements.

The objectives of such a review are:

- 3.1 to ensure full compliance with accounting standards, Companies Act 1993, Financial Reporting Act 2013 and Regulations and other mandatory professional reporting requirements and best practice;
- 3.2 to ensure that there are adequate disclosures and that the financial statements are consistent with previous statements and disclosures;
- 3.3 to assess the consistency of disclosures in the financial statements with other disclosures made by the Company to the financial markets and other public bodies; and
- 3.4 to review the interim and annual financial statements.

#### **4 Engagement of the External Auditors**

The Committee should assess the following:

- 4.1 the independence of the auditors;
- 4.2 the ability of the auditors to provide additional services which may be occasionally required;
- 4.3 the competency and reputation of the auditors;
- 4.4 the projected audit fees; and
- 4.5 review the appointment, performance and remuneration of external auditors.

The Committee will monitor and approve any service provided by the auditors other than in their statutory audit role.

#### **5 Communication with Auditors**

The Committee should consult with auditors in relation to the following:

- 5.1 The Annual Audit Plan:
  - (a) nature and scope of planned external and internal audits;
  - (b) to highlight areas of risk, potential problems or issues; and
  - (c) to ensure that all areas of concern to the Committee and the auditors are addressed.
- 5.2 The Post Audit Review:
  - (a) to discuss and review in detail any Board report prepared by the auditors;

- (b) to understand and consider the actions taken in relation to the issues identified in 5.2(a) above;
- (c) to focus on areas which might be the subject of differences between management and the auditors;
- (d) to review and assess the adequacy of compliance with all regulatory requirements and generally accepted accounting principles;
- (e) to review the auditor's report and discuss it in detail with the auditor; and
- (f) to have particular regard to issues the resolution of which require significant levels of judgment.

### 5.3 Management Controls:

- (a) to review and monitor internal controls to ensure they are adequate and effective to minimise financial and other major operating risks;
- (b) to review the integrity and prudence of procedures for management control;
- (c) to consider the adequacy of internal controls by reviewing external audit management letters and internal audit reports and the response of management;
- (d) to assess the extent of any corrective action being taken by management; and
- (e) to determine whether the auditor is satisfied that the response to previous letters and reports has been adequate.

### 5.4 Other:

The Committee should encourage the auditor to discuss frankly any issues that require review and should afford the auditor the opportunity to do so, through arranging the absence of management, if necessary.

## 6 Risk Management

The Committee is responsible for the oversight and independent review of the company's and group's risk management framework, including:

- 6.1 review and approval of risk management policy;
- 6.2 receiving and considering reports on risk management;
- 6.3 assessing the effectiveness of the company's responses to risk; and

6.4 providing the Board with regular reports on risk management.

## **7 Legal and Other Regulatory Obligations**

In enhancing its understanding of the Company and its business, the Committee may request management to furnish it with reports on topics such as:

7.1 budgets and budgetary scenarios;

7.2 the legal environment facing the Company including any potential actions arising;

7.3 the insurance coverage of Company employees and Directors;

7.4 current issues affecting the industry;

7.5 the effect of change in taxation or company legislation; and

7.6 to oversee the processes governing related party transactions.

**Adopted 27 June 2016**