



# Audit/Risk Management Committee Charter

September 2007

# Audit/Risk Management Committee Charter

## 1. Introduction

The Audit/Risk Management Committee's (**Committee**) objective is to assist the Board of the Company to fulfil its responsibilities in relation to the Company's accounting, financial reporting, and risk management practices.

The Committee makes recommendations to the Board. The Board will consider, and if appropriate, act on those recommendations. The Committee has unrestricted access to records and executives of the Company, and to the internal and external auditors in order to fulfil its purpose and undertake its duties.

The Company recognises that the Committee plays a key role in assisting the Board fulfil its responsibilities to oversee financial reporting, internal control structure, risk management systems and the internal and external audit functions.

The Committee is also intended as an effective mechanism for the auditor to communicate in an informal and confidential way with the members of the Committee about these issues as well as potentially troublesome issues at a relatively early stage and to broach sensitive issues in an uninhibited fashion.

## 2. Audit/Risk Management Committee

### 2.1 Composition

The Committee will comprise at least three members. The Committee members:

- (a) must be non-executive directors;
- (b) must be appropriately financially literate and at least one member must have accounting or associated financial management expertise;
- (c) comprise a majority of independent directors; and
- (d) must be independent of management and free of any relationship or arrangement that may, in the opinion of the Board, constitute a conflict of interest.

The Board will review the membership of the Committee annually. The Board will appoint one of the Committee members as chair. The chair of the Committee must

- (a) be an independent non-executive director; and
- (b) not be the chair of the Board.

The chair of the Committee will invite the Company's chief executive, chief financial officer, auditor and other employees and advisers to attend committee meetings when appropriate.

#### 2.1.1 Removal, resignation and new appointments

If a member of the Committee retires, is removed or resigns from the Board, that member ceases to be a member of the Committee. The Board will appoint the successor. A new member of the Committee will be provided with a copy of this Charter and provided an induction programme to familiarise the new member with the Committee's activities.

### 2.1.2 Invitees

The Committee, if considered appropriate, may invite any executive management team members or other individuals to attend meetings of the Committee.

### 2.1.3 Secretary

The company secretary will be the secretary of the Committee.

## 2.2 Meetings

### 2.2.1 Frequency

The chair will convene at least three meetings of the Committee each year and any additional meeting that the chair considers necessary or appropriate to carry out the Committee's responsibilities. In addition, the chair must call a meeting of the Committee if required by any committee member, the Company's chief executive, the Board or the external auditor. At the first meeting for the year, the committee will prepare a plan and timetable of activities for the coming year.

### 2.2.2 Calling meeting and notice

Any committee members or the company secretary may call a meeting of the Committee. A notice of each meeting confirming the date, time, venue and agenda will be forwarded to each member of the committee in the week prior to the date of the meeting. The notice for members will include relevant supporting papers for the agenda items to be discussed.

### 2.2.3 Advice

The Committee may have access to employees of the Company and to appropriate external advisers. The Committee may meet with these external advisers without management being present.

### 2.2.4 Report to board

The chair of the Committee will report the findings and recommendations of the Committee to the Board at the next Board meeting after each Committee meeting.

### 2.2.5 Minutes

Minutes of proceedings and resolutions of committee meetings will be kept by the secretary. Minutes will be distributed to all committee members and all members of the Board, after the Committee chair has approved the minutes. Minutes, agenda and supporting papers, will be made available to any director upon request to the secretary, providing no conflict of interest exists.

### 2.2.6 Quorum and voting

A quorum will comprise any two independent non-executive director members of the Committee. In the absence of the Committee chair, the members will elect one of their number as chair for that meeting.

In the event of a lack of consensus on any matter each member will have one vote, and the chair of the Committee will not have a second or casting vote.

### 3. Responsibilities

The responsibilities of the Committee are as follows:

- liaison with the internal and external auditors;
- review of the annual audit plan with the external auditors;
- assessment of the performance of financial management;
- review of audit findings and the annual financial statements;
- review of interim financial information;
- prior clearance of public releases of financial information to the media;
- oversight of compliance with statutory responsibilities relating to financial and other requirements;
- review of the frequency and significance of all transactions between the Company and related parties and assessment of their propriety;
- review of the appointment and performance of the external auditors and their fees;
- review of the independence of the external auditors and the appropriateness of any non-audit services they undertake for the Company;
- review of the internal auditors and their activities;
- ensuring the recommendations highlighted in internal audit reports are actioned by management;
- oversight of effectiveness of the risk management system monitored by the Risk Management Committee of management;
- oversight of identification of the improvements that can or should be made to the Company's internal controls, policies, systems and financial disclosures;
- oversight of effectiveness of the process for review and approval of major contracts entered in to by the Company;
- oversight of effectiveness of the process to manage the company's continuous disclosure obligations, as prescribed by the New Zealand Stock exchange Listing Rules;
- review of all material claims against the company and by the company; review of all matters involving OSH; and review of all instances of fraud discovered in the company. Significant matters to be brought to the attention of the Board.
- supervision of special investigations when requested by the Board.

The Committee shall also examine any other matters referred to it by the Board.

#### **4. Review**

The Committee will review its performance and compliance with its terms of reference on an annual basis.