

## Rakon Limited

### Audit and Risk Committee Charter

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#### Establishment of the Audit and Risk Committee

This Charter sets out the basis on which the Board has established an Audit and Risk Committee pursuant to the authority contained in, and subject to the provisions of, the Constitution.

#### Objectives

The Audit and Risk Committee is established to ensure oversight by the Board of all matters related to the financial accounting and reporting of the Company. The Audit and Risk Committee monitors the processes which are undertaken by management and both external and internal auditors. The Audit and Risk Committee shall ensure that the Board meet all financial corporate governance requirements.

#### Authority, Duties and Responsibilities

Specifically, the Audit and Risk Committee has the authority to fulfil the following duties and responsibilities:

##### *External Audit*

The Audit and Risk Committee shall:

1. establish guidelines for the selection and appointment of the external auditor if required, and the rotation of the principal external audit partner at least once every five years;
2. recommend to the Board the appointment and removal of the external auditors if required. This may include periodic reviews of the external auditor;
3. review, consider and advise the Board on:
  - a. the external auditor's annual plan;
  - b. the fees proposed by the external auditor;
  - c. the qualification, expertise and resources of the external auditor annually; and
  - d. whether an effective, comprehensive and complete audit can be conducted for the fee;
4. monitor the effectiveness, objectivity, and independence of the external auditors; and
5. develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the auditor to ensure that the provision of such services does not impair the external auditor's independence or objectivity.

### *Financial statements*

The Audit and Risk Committee shall:

1. review with management and the external auditor at the completion of the half yearly audit review and the annual audit:
  - a. the Company's financial statements and related notes;
  - b. the external auditor's audit of the financial statements;
  - c. any significant changes required in the external auditor's audit plan;
  - d. any serious difficulties and/or disputes that management encountered during the course of the audit; and
  - e. other matters related to the conduct of the audit which are communicated to the Audit and Risk Committee;
2. review the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, interim reports, preliminary announcements and related formal statements;
3. review the clarity and completeness of disclosures in the financial statements and advise the Board whether they comply with the appropriate laws and regulations; and
4. require the Managing Director to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

### *Internal controls, compliance and risk management*

The Audit and Risk Committee shall:

1. ensure that processes are in place to ensure that the Board is properly and regularly informed about significant financial matters relating to the Company, and monitor those processes;
2. consider and review:
  - a. the adequacy of the Company's internal auditing practices; and
  - b. any related significant findings and recommendations of the external auditor and management's responses thereto;
3. ensure that arrangements are in place by which employees may, in confidence, raise concerns about possible improprieties;
4. consider and discuss the operational risks of the Company; and
5. monitor and review the effectiveness of the Company's framework for monitoring operational risk (including insurance strategy) and compliance with applicable laws and regulations.

## **Audit and Risk Committee Composition**

The Audit and Risk Committee shall consist of at least three members, each of whom will be appointed by the Board, following a review in each case by the Board's Nomination Committee.

All of the members of the Audit and Risk Committee shall be Directors who are not also members of the executive management. A majority of the members must be independent Directors. At least one member of the Audit and Risk Committee must have an accounting or financial background<sup>1</sup>.

The members of the Audit and Risk Committee shall elect one of their members who is an independent Director but not the Board's chairperson to be the chairperson of the Audit and Risk Committee. In that person's absence, any member may chair a meeting of the Audit and Risk Committee.

Only members are entitled to attend Audit and Risk Committee meetings. The Audit and Risk Committee may invite such other persons to attend their meetings as they consider appropriate. Unless the Audit and Risk Committee determines otherwise, the Risk Assurance and Compliance Manager will act as secretary to the Audit and Risk Committee.

## **Meetings and procedure**

The Audit and Risk Committee will meet as frequently as required but must not meet less than twice each year.

A quorum for a meeting of the Audit and Risk Committee is two members.

The Audit and Risk Committee shall ensure that minutes of its meetings are kept and provide the minutes of each of its meetings to the Board for the Board's next full meeting.

The dates, times and venues of each meeting of the Audit and Risk Committee will be notified by the Audit and Risk Committee's secretary to all members as far in advance as possible. Supporting papers shall also be sent to members as far in advance as possible.

Proceedings of the Audit and Risk Committee will be governed by the provisions of the Constitution, in so far as they are applicable.

## **Consultation**

The Audit and Risk Committee shall have unrestricted access to executive management, external and internal auditors, all employees, company records and to financial or legal advisers.

## **Reporting**

The Audit and Risk Committee shall regularly report to the Board. The report should contain all matters relevant to the Audit and Risk Committee's role and responsibilities, including:

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<sup>1</sup> A member of the Audit and Risk Committee will be deemed to have adequate accounting or financial background if they:

- (a) are a member of the New Zealand Institute of Chartered Accountants, or have held a Chief Financial Officer position at an "issuer" (as defined in the NZX Listing Rules) for a period greater than 24 months; or
- (b) have successfully completed a course approved by NZX for Audit and Risk Committee membership; or
- (c) have the experience and/or qualifications deemed satisfactory by the Board.

1. an assessment of whether external reporting is consistent with the Audit and Risk Committee members' information and knowledge and is adequate for shareholders' needs;
2. an assessment of the management processes supporting external auditing;
3. the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
4. an assessment of the performance and independence of the external auditors and whether the Audit and Risk Committee is satisfied that the independence of this function has been maintained having regard to the provision of non-audit services;
5. an assessment of the performance and objectivity of the internal audit function;
6. the results of any review of risk management (including insurance strategy) and internal compliance and control systems including recommendations to the Board on:
  - a. whether the Company's processes for managing risk are sufficient;
  - b. any incident involving fraud or other break-down in the Company's internal controls; and
  - c. the Company's insurance programme, having regard to the Company's business and the insurable risks associated with it; and
7. highlighting the main risks to the Company's performance and how those are being managed under the risk management framework.

The chair of the Audit and Risk Committee must be available at the Annual Shareholders' Meeting to respond to any shareholders questions on the Audit and Risk Committee's activities and areas of responsibility.

### **Reporting from Management**

The Audit and Risk Committee should receive appropriate and regular reporting from management in relation to the operation of the risk management framework.

### **Review**

The Audit and Risk Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board. It must recommend to the Board any suggested changes in the duties and responsibilities of the Audit and Risk Committee and the terms of this Charter.