

NZPM Group Limited

Audit and Risk Committee (ARC) Terms of Reference

1. INTRODUCTION

These Terms of Reference set out the purpose, scope, structure and duties of the NZPM Group's (NZPM) Audit and Risk Committee (ARC).

2. OBJECTIVES

The ARC is a committee of the board of NZPM (Board). The purpose of the ARC is to provide a forum for the effective communication between the Board and the external and internal auditors. The ARC also provides advice, assurance and observations to the Board relating to the effectiveness and adequacy of financial internal controls and risk management systems, processes and activities across NZPM. It assists the Board to fulfil its duties by considering, reviewing, monitoring and approving:

- Risk management framework and processes;
- Financial internal control environment and mechanisms;
- Processes relating to the preparation and audit of financial statements of NZPM;
- The integrity of performance information (including financial reporting);
- Policies to ensure compliance with legislation, policies and procedures; and
- Statutory/regulatory disclosure and reporting.

3. MEMBERSHIP

Committee Members

ARC members are to be appointed by the Board. Membership will comprise of at least three directors. The Chair of the ARC will be determined by the Committee members and confirmed by the Board, but must not also be the Board Chair. The ARC will have at least one member with an accounting or financial background.

Attendees

The following people will attend meetings of the ARC:

- Committee members and Chief Financial Officer.

Any of the following people may also attend meetings of the ARC:

- Non-member Board directors;
- The Auditors of NZPM; and
- Other attendees at the invitation or request of the Chair or Chief Financial Officer.

4. DUTIES

Duties and Responsibilities

The ARC does not have the authority to make a decision in the Board's name or on its behalf unless specifically authorised to do so by these Terms of Reference or as directed by the Board. The ARC will make recommendations to the Board as set out in these Terms of Reference.

The ARC shall undertake the following duties and others agreed by the Board as necessary to fulfil its purpose:

- Provide assurance to the Board that due process has been followed in the preparation and audit of the financial statements of NZPM;
- Satisfy itself that appropriate internal risk management and internal control processes and procedures are in place and are operating effectively to manage financial risk;
- Ensure there are appropriate policies to ensure compliance with relevant regulatory and statutory requirements;
- Liaise with the external auditors to agree audit plans and the nature and scope of the audits; to discuss any issues arising from audits; consider the external auditor's reports; and monitor and review the performance of the external auditors and provide feedback to the Board and the external auditors as appropriate.
- Reviewing and approving internal audit programmes and plans, and evaluating the overall effectiveness of these through regular meetings with the internal auditors, including determining that no management restrictions are being placed on the internal auditors.
- Monitor the implementation of any recommendations made by the external and/or internal auditors and the status of any corrective actions required.
- Review the process implemented by management to prepare and review the Annual Report and Half Year Report, and recommend the Financial Statements contained in these Reports for approval by the Board of NZPM;
- Facilitate an effective relationship between NZPM and the external auditors by providing a forum for open and frequent communication; and
- Review NZPM policies and approve any revisions to them (as delegated by the Board), or recommend them for approval by the Board.

Operations of ARC

The ARC will, to the extent it deems appropriate for the fulfilment of its objectives or duties:

- Investigate any activity and seek and obtain any information from any officer or employee;
- Report on Committee business to the Board with such recommendations as the Committee may deem appropriate;
- Engage any firm of accountants, lawyers or other professionals to provide independent advice to the Committee;
- Have ready access to all records of the Company; and
- Consult directly with the external and internal auditors.

5. OPERATIONS AND MEETINGS

Frequency

The ARC will meet on an as required basis to ensure it fulfils its responsibilities. Meetings will be scheduled by the Chair to accommodate the NZPM's financial and non-financial reporting and audit cycles.

Quorum

The quorum for meetings of the ARC will three which will be made up of a minimum of any two ARC members plus another co-opted director of the NZPM Board if required.

Agenda

The agenda will be prepared by management and agreed to by the Chair before the meeting. The agenda and papers will be prepared and distributed by management to members of the Committee, other Board members, External Auditors and other invitees as appropriate, at least three business days before the relevant meeting date (except that this period may be shortened in the cases of urgency, as authorised by the Chair of the ARC or the Board).

Meeting minutes

The Chief Financial Officer or their nominee will act as secretary to the meetings. Minutes will be kept of all meetings. Minutes will be reviewed by the Chair before they are circulated to the ARC. Minutes will be distributed to all NZPM Board members once approved by the ARC.

Conflicts of Interest and Code of Conduct

All members are responsible for declaring any potential, perceived or real conflicts of interest, whether pecuniary or non-pecuniary. In all cases where a conflict of interest exists, or may be reasonably perceived to exist, the rules set down in the NZPM Board Charter in relation to conflicts of interest will apply.

Monitoring ARC's performance

The ARC will ensure that an assessment of its performance and review of the Terms of Reference is conducted at least once every two years.

6. APPROVAL AND REVIEW SCHEDULE

Approved: August 2016

Review due: August 2018