

Audit and Risk Committee Charter

1. Policy Statement

- 1.1 This Charter sets out the role, responsibilities and structure of the Audit and Risk Committee, a Committee established by the Board. It is intended to be read together with the Constitution and the Company's other policies.

2. Purpose of the Committee

- 2.1 The primary purpose of the Audit and Risk Committee (the Committee) is to assist the Board of Directors (the Board) of SPNZ (the Company) in fulfilling its oversight responsibilities for financial management and related reporting processes. This includes the system of internal control and risk management, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct. The Committee's objectives include improving the efficiency of the Board by allowing for the delegated issues to be discussed in sufficient depth.

3. Composition

- 3.1 The membership of the Committee and its Chairperson shall be appointed by the Board (by formal resolution) from amongst the non-executive directors of the Company and shall consist of at least three independent members of the Board of Directors.
- 3.2 At least one member shall have an accounting or financial background, including knowledge and understanding of accounting rules and standards, as defined by the NZX Listing Rules. Other members should have a working knowledge of finance and accounting practices given the specialised function of the Committee.
- 3.3 The duties and responsibilities of a member of the Committee are in addition to those set out for a member of the Board of Directors.
- 3.4 Members of the Committee will be appointed for a continuous term until otherwise directed by the Board.
- 3.5 The Chairperson will be appointed by the Board and will not be the Chairperson of the Company.
- 3.6 The CEO may not be a member of the Audit and Risk Committee.

4. Secretarial and Procedure

- 4.1 The secretary of the Committee shall be appointed by the Board.
- 4.2 A quorum of members of the Committee shall be two.
- 4.3 Attending each meeting by standing invitation is the CEO and the Finance Manager. Representatives from the external auditors also have a standing invitation but would

DOCUMENT / REFERENCE	VERSION	ISSUE DATE	PERSON RESPONSIBLE
SPNZ Audit and Risk Committee Charter	1.0	28/06/18	Company Secretary

normally attend at the request of the Audit and Risk Committee Chair. All directors may attend each meeting by standing invitation also.

- 4.4 The Committee shall meet at least two times a year having regard to the Company's reporting and audit cycle. The Committee shall meet with the external auditors present and without the CEO or management being present during these meetings.
- 4.5 The Chair or Committee may meet with the external auditors and management in separate executive sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee.
- 4.6 The Committee may have in attendance such members of management and such other persons including the external auditors, as it considers necessary to provide appropriate information and explanations.
- 4.7 The agenda and Committee papers will be prepared and circulated in a timely manner to all directors including members of the Committee prior to Committee meetings.
- 4.8 Any member of the Committee, the CEO, the Finance Manager or the external auditors may request a meeting at any time if they consider it necessary.
- 4.9 Minutes of all meetings shall be kept and circulated on a timely basis.
- 4.10 The Committee shall maintain direct lines of communication with the external auditors, the CEO, the Finance Manager, and with management generally including those responsible for non-financial risk management.
- 4.11 The CEO and the Finance Manager shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any event of fraud or malpractice.
- 4.12 The Chair will report back to the Board the recommendations of the Committee at the Board meeting following the Committee meeting. The minutes of all Committee meetings shall be circulated to members of the Board, the CEO, the Finance Manager, the external auditors and to such other persons as the Board directs.
- 4.13 The Committee shall provide sufficient information to the Board to allow the Board to report annually to shareholders and stakeholders on risk identification and management procedures, as well as relevant internal controls of the Company.
- 4.14 The Committee shall have no executive powers with regard to its findings and recommendations but will recommend to the Board on matters relative to its primary functions.
- 4.15 Reasonable notice of meetings and the business to be conducted shall be given to the Committee, the CEO and external auditors.

DOCUMENT / REFERENCE	VERSION	ISSUE DATE	PERSON RESPONSIBLE
SPNZ Audit and Risk Committee Charter	1.0	28/06/18	Company Secretary

5. Responsibilities

5.1 The responsibilities of the Committee are as follows:

5.2 Financial Management

The Committee is required to provide advice and oversight of financial management, and recommend actions for Board approval, as appropriate. This includes:

5.2.1 Consider the effectiveness of the company’s internal control system, including information technology security and control.

5.2.2 Review the scope of the external auditors’ review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management’s responses. Review the adequacy of management’s follow up actions and closure of audit findings.

5.2.3 Review and monitor the overall financial management of the Company, specifically management’s processes and systems to optimise efficiency and effectiveness of operations and financial return.

5.2.4 Review the capital expenditure strategy and operational plan. Understand how the strategy supports the Company in meeting its strategic objectives. Monitor material items purchased outside of the capital expenditure strategy and operational plan.

5.2.5 Annual review of the financial and operational budgets, if appropriate recommend to the Board for approval. Review reporting progress against set budgets, understanding deviations from plan and remediation strategies, as appropriate.

5.2.6 Review the Company’s capital and funding arrangements, ensuring that this aligns to operational requirements and takes risk factors into consideration. Review and recommend to the Board, if appropriate, new capital and funding arrangements.

5.2.7 Review the Treasury policy as required and monitor compliance to the requirements as detailed therein.

5.2.8 Annually review all of the Company’s insurance arrangements and recommend Board adoption of arrangements, where appropriate.

5.2.9 Monitor and regularly review the authorities, delegations and procedures under which the Company operates.

5.2.10 Recommend to the Board, dividends or other distributions to be made to the Company’s shareholders and the amount of those dividends or distributions.

5.3 Financial Reporting

5.3.1 Consider and make recommendations for Board approval, on all major accounting policies and practices, including any proposed changes to the Company’s

DOCUMENT / REFERENCE	VERSION	ISSUE DATE	PERSON RESPONSIBLE
SPNZ Audit and Risk Committee Charter	1.0	28/06/18	Company Secretary

accounting policies and practices and their application during the reporting period. Monitor compliance to Company policies.

5.3.2 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and determine their impact on the financial statements.

5.3.3 Review legal and regulatory matters that may have a material impact on the financial statements.

5.3.4 Review with management and the external auditors the results of the interim and annual financial statements and all other financial information prepared by the Company that are to be released to the market.

5.3.5 Review of audit findings, confirming management's response and proposed action. Ensure that all agreed management actions are appropriately completed.

5.3.6 Review the preparation and fair presentation of financial statements prepared by the Company and obtain explanations from management and external auditors on whether:

- Financial results varied significantly from budgeted or projected results;
- Significant or unusual events or transactions are adequately disclosed;
- The Company's financial and operating controls are appropriately designed and operating effectively;
- All annual and interim financial statements and announcements contain adequate and appropriate disclosures.

5.3.7 Review that the financial statements are prepared in accordance with legal requirements and accepted accounting practice and provide a fair presentation of the financial position and results of the Company.

5.3.8 Require annual certification from the CEO and Finance Manager that:

- The Company's financial statements present fairly, in all material respects, the Company's financial condition and operational results and are in accordance with applicable accounting standards;
- The above statement was based on a sound system of risk management and internal control and compliance which implements the policies adopted by the Board;
- The Company is solvent and there are no issues with going concern.

5.3.9 Consider, and recommend for Board approval draft financial statements, reports and company announcements regarding financial matters which must be disclosed to the NZX and any external party.

5.3.10 Review the solvency calculation and basis of valuations which support any intended dividend distribution.

DOCUMENT / REFERENCE	VERSION	ISSUE DATE	PERSON RESPONSIBLE
SPNZ Audit and Risk Committee Charter	1.0	28/06/18	Company Secretary

5.4 Risk Management

5.4.1 Review the risk management framework and monitor compliance with that framework.

5.4.2 Review the Company’s key risks on a regular basis and make changes to the key risks as required.

5.4.3 Monitor the Company’s risk assessments and the internal controls in place.

5.4.4 Enquire of management and the external auditors about significant risks or exposures and evaluate the steps taken to minimise such risk to the Company.

5.4.5 Undertake a regular overview and assessment of the appropriateness of the functions of internal control and internal audit within the Company.

5.4.6 The Chair of the Committee is to attend the annual risk management meeting organised by the Finance Manager.

5.5 Compliance

5.5.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management’s investigation and follow-up (including disciplinary action) of any instances of non-compliance.

5.5.2 Review the findings of any examinations by financial related regulatory agencies, and any auditor observations.

5.5.3 Obtain regular updates from management regarding compliance matters.

5.5.4 Review management’s confirmations on compliance.

5.6 External Audit

5.6.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting of the Company, in relation to the appointment of the Company’s external auditors and their compensation.

5.6.2 Review and approve the external auditors’ engagement letter which includes the proposed audit scope and approach. Annually review the performance of the external auditors against the terms of agreement and related expectations.

5.6.3 Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the company, provide approval for non-audit services, and discuss the relationships with the auditors.

5.6.4 At least annually, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

5.6.5 Approve the Company’s letter of representation to the auditors.

DOCUMENT / REFERENCE	VERSION	ISSUE DATE	PERSON RESPONSIBLE
SPNZ Audit and Risk Committee Charter	1.0	28/06/18	Company Secretary

5.6.6 Ensure that the audit partner is rotated after a maximum of five years such that no person shall be engaged in an audit of the Company for more than five consecutive years.

5.7 Reporting Responsibilities

5.7.1 Regularly report to the Board of Directors about Committee activities, issues and related recommendations.

5.7.2 Provide an open avenue of communication between the external auditors and the Board.

5.7.3 Report annually to the shareholders, describing the Committee’s composition, responsibilities and how they were discharged, and any other information required by law, including approval of non-audit services.

5.7.4 Review any other reports the company issues that relate to the Committee’s responsibilities.

5.8 Other Responsibilities

5.8.1 Perform other activities related to this charter as delegated by the Board.

5.8.2 Institute and oversee special investigations or projects as needed.

6. Committees’ Powers and Authority

6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.

6.2 The Committee will make recommendations to the Board on all matters requiring a decision. The Committee does not have the power or authority to make a decision in the Board’s name or on its behalf, unless specifically delegated.

6.3 The Committee is authorised by the Board to obtain, at the expense of the company outside legal or other independent professional advice and to arrange for the attendance at meetings, at the expense of the company, of outside parties with relevant experience and expertise if it considers this necessary.

7. Accountability to the Board

7.1 Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

7.2 Confirm annually that all responsibilities outlined in this charter have been carried out.

7.3 Evaluate the Committee’s performance annually.

DOCUMENT / REFERENCE	VERSION	ISSUE DATE	PERSON RESPONSIBLE
SPNZ Audit and Risk Committee Charter	1.0	28/06/18	Company Secretary

SPNZ reserves the right to amend, update or withdraw this Charter without prior notice and will review this Charter as required in the event of a change in legislation or practice.

DOCUMENT / REFERENCE	VERSION	ISSUE DATE	PERSON RESPONSIBLE
SPNZ Audit and Risk Committee Charter	1.0	28/06/18	Company Secretary