

APPENDIX B: AUDIT AND RISK COMMITTEE CHARTER

1 **Constitution**

1.1 The Audit and Risk Committee (Committee) shall be a committee of the Board established by the Board.

2 **Purpose**

2.1 The purpose of the Committee is to:

- (a) assist the Board in discharging its responsibilities relative to financial reporting, regulatory conformance and other accounting requirements;
- (b) assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to oversight of:
 - the integrity of external financial reporting;
 - the application of accounting policies;
 - financial management;
 - internal control systems;
 - material business risk identification and monitoring;
 - related party transactions;
 - protection of the company's assets;
 - compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial disclosure;
- (c) improve the efficiency of the Board by allowing for the delegated issues to be discussed in sufficient depth;
- (d) review management's letters of representation;
- (e) facilitate the continuing independence of the external auditor;
- (f) assess the external auditor's independence and qualifications;
- (g) ensure that the ability of the external auditor to carry out its statutory audit is not impaired or could reasonably be perceived to be impaired by virtue of the relationship between the external auditor and the Company (or its Directors and management) which could compromise the external auditor's independence, and ensure that written confirmation of that independence is provided to the Board by the external auditor;
- (h) ensuring that the Key Audit Partner is changed every five years;
- (i) establish procedures designed to sustain regular and full dialogue between the Committee, the external auditor and management;

- (j) improve the quality, credibility and objectivity of the accounting process (including financial reporting);
- (k) oversee and monitor the performance of the external auditors;
- (l) provide a formal forum for communication between the Board and senior financial management.

3 **Duties and Responsibilities**

3.1 For the purposes of this section:

- “Statutory Audit Role” means services required by any law to be provided by the auditors, acting as such; and
- “External financial reporting” means the half yearly and annual financial statements, external audits/reviews, management discussion and analysis, and any management letters (including management responses).

3.2 The Committee does not take actions or make decisions on behalf of the Board unless specifically mandated. The Board has delegated certain functions to the Committee which is responsible for:

General Responsibilities

- reviewing and discussing the “external financial reporting” with management, including whether the reporting is consistent with the Committee members’ information and knowledge and whether it is adequate for shareholder needs;
- meeting with the external auditors to discuss the practices and issues surrounding the external financial reporting;
- reporting the results of the review to the Board and recommending, if appropriate, the Board adopt the external financial reporting;
- liaison with 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 half-year (interim) financial information;
- prior clearance of public releases of financial information to the media;
- review of accounting policies;
- oversight of compliance with statutory responsibilities relating to financial reporting and other accounting related 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 of the external auditors and their fees;
- the development of, and compliance with, policies and processes to effectively identify, manage and monitor material business risks;
- supervision of special investigations when requested by the Board;
- examination of any other matters referred to it by the Board.
- Responsibilities regarding Auditor Independence
- addressing what, if any, services other than in their Statutory Audit Role may be provided by the auditors;
- ensuring that the ability and independence of the auditors to carry out their Statutory Audit Role is not impaired, or could reasonably be perceived to be impaired;
- providing for the monitoring and approval by the Committee of any service provided by the auditors to the company other than in their Statutory Audit Role; and
- review of the independence of the external auditors and the appropriateness of any non-audit services they undertake for the company.

4 **Membership**

- 4.1 The Committee will comprise members of the Board appointed by the Board. Only non-executive Directors are entitled to become members of the Committee, with a majority of the members being independent Directors. All Committee members shall be financially literate.
- 4.2 The Committee meets a minimum of two times each year.
- 4.3 The number of Committee members shall be not less than three.
- 4.4 The Committee must have one member who has an accounting or financial background. This person may be someone who:
- as a result of acting as a public accountant or auditor or due to other relevant experience has appropriate knowledge of both Generally Accepted Accounting Practices (GAAP) and financial reporting proceedings and internal controls along with audit committee functions; and
 - is a member of the Institute of Chartered Accountants in New Zealand; or
 - has held a Chief Financial Officer position at an issuer for a period greater than 24 months; or
 - has completed a course approved by the New Zealand Exchange for Audit and Risk Committee membership.
- 4.5 The Board shall appoint the Chairperson of the Committee who shall not be the Chairperson of the Board.

4.6 The secretary of the Committee shall be appointed by the Committee.

5 **Meetings**

5.1 Meetings shall be held not less than two times a year having regard to the company's reporting and audit cycle.

5.2 Attending each meeting by a standing invitation are the CEO, Chief Financial Officer, and representatives from the external auditors. From time to time the Chairperson of the Committee shall be entitled to request that the Committee meet without any of those persons. Directors who are not members of the Committee and employees should only attend Committee Meetings at the invitation of the Committee.

5.3 The external auditors are encouraged to meet as appropriate with the Committee Chairperson, independent of management. The Committee Chairperson will generally meet with management, and the external auditors (either together or separately as the chairperson deems appropriate) before each Committee meeting and at other times as required.

5.4 The agenda and Committee papers will be prepared and circulated to all Directors of EBOS including the members of the Committee prior to Committee meetings.

5.5 The Chairperson will report back to the Board the recommendations of the Committee at the Board meeting immediately following the Committee meeting.

6 **Quorum**

6.1 A quorum of members of the Committee shall be a simple majority of the members of the Committee, a majority of such quorum comprising independent directors.

7 **Members' Powers and Authority**

7.1 The Committee may delegate any of its responsibilities to the Chairperson of the Committee from time to time and on such conditions as the Committee considers appropriate.

7.2 The Committee is authorised by the Board to investigate any activity covered by its role.

7.3 The Committee members may communicate with any EBOS employee to seek any information they require in order for the Committee to carry out its role. All EBOS employees will be directed to co-operate with any request made by the Committee.

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

7.5 Management is responsible for the preparation, presentation and integrity of the financial statements. Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance and accounting standards and applicable laws and regulations.

7.6 The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing and review standards. The external auditors are accountable to shareholders through the Committee.

8 Reporting Procedures

8.1 The Committee shall maintain direct lines of communication with the external auditors, the CEO, the Chief Financial Officer, and with management generally including those responsible for non-financial risk management.

8.2 The CEO and the Chief Financial Officer 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 material event of fraud or malpractice.

8.3 The Chairperson of the Committee will report back to the Board the findings and recommendations of the Committee at the Board meeting immediately following the Committee meeting.

8.4 The minutes of all Committee meetings shall be circulated to members of the Board, the CEO, the Chief Financial Officer, the external auditors and to such other persons as the Board directs.

8.5 The Chairperson shall present an annual report to the Board summarising the Committee's activities during the year and any related significant results and findings.

9 Accountability to the Board

9.1 The Board reviews from time to time the Committee's performance against this Audit and Risk Committee Charter.

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