

# Tegel Group Holdings Limited – Audit and Risk Committee Charter

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This charter (**Charter**) was approved by the board of directors (**Board**) of Tegel Group Holdings Limited (**Company**) on 18 October 2016.

## 1. **Objective**

- 1.1 The Audit and Risk Committee (the **Committee**) is appointed by the Board of the Company to assist the Board in discharging its oversight responsibilities. The Committee will oversee the financial reporting process to ensure the balance, transparency and integrity of published financial statements.
- 1.2 The objectives of the Committee are to assist the Board in fulfilling its responsibilities relating to risk management and internal control, financial reporting, legislative and NZX Listing Rule compliance, internal policies and industry standards, the external and (if one is appointed) internal audit functions, tax management, treasury management, and includes, among other things:
  - (a) promoting a culture of compliance;
  - (b) providing a forum for communication between the Board and the executive team of the Company (**Executive**) in relation to audit and compliance matters affecting the Company; and
  - (c) reviewing and commenting on the Executive's plans for managing the material risks faced by the Company.
- 1.3 The Committee will also review the:
  - (a) integrity and effectiveness of the financial management processes, audit functions and internal controls;
  - (b) independent audit process, including recommending the appointment and assessing the performance of the external auditor;
  - (c) Company's processes for monitoring compliance with relevant laws, regulations, the NZX Listing Rules, internal policies, industry standards and expectations of key stakeholders, including customers and employees; and
  - (d) relationship and interaction with institutional investors and other shareholders.
- 1.4 In performing its duties, the Committee will maintain effective working relationships with the Board, the Executive, and the auditor(s). To perform their role effectively, each Committee member must develop and maintain their skills and knowledge, including an understanding of the Committee's responsibilities and of the Company's business, operations and risks.
- 1.5 The Schedule to this Charter contains the annual work plan for the Committee.

## 2. **Authority**

- 2.1 The Board authorises the Committee, within the scope of its role and responsibilities, to:
- (a) perform its activities in accordance with this Charter;
  - (b) have unrestricted access to members of the Executive, employees and relevant information;
  - (c) discuss any matters with the internal auditor (if one is appointed), external auditor and/or other external parties (subject to confidentiality considerations);
  - (d) request the attendance of any person, including the Chief Executive Officer (**CEO**), Chief Financial Officer (**CFO**) and/or the external auditor, at Committee meetings as appropriate;
  - (e) obtain external legal or other professional advice, as considered necessary to meet its responsibilities, at the Company's expense; and
  - (f) be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor.

## 3. **Composition and tenure**

- 3.1 The Board will nominate the Committee members and the Chair of the Committee.
- 3.2 The Committee will consist of at least 3 members, all of whom will be directors of the Company (**Directors**) who are non-executive, and a majority of whom must be 'independent' Directors. The Chair of the Committee must be an independent Director, who is not the chair of the Board.
- 3.3 The CEO and the CFO will not be members of the Committee but are invited to attend all meetings of the Committee. The other Directors will not be members of the Committee, but may attend meetings as observers when invited by the Committee.
- 3.4 Each member of the Committee should have the skills and experience appropriate to the Company's business. At least 1 member must have accounting or related financial expertise.
- 3.5 The secretary of the Committee will be appointed by the Board.

## 4. **Meetings**

- 4.1 A quorum of any meeting will consist of a majority of Committee members, meaning at least half of the total number of Committee members must be present at the meeting.
- 4.2 Meetings will be held up to three times a year. Special meetings may be convened as required.
- 4.3 The Committee should meet regularly with external legal counsel if considered necessary.
- 4.4 Meetings can be held in person, by telephone, or by video conference.

## 5. **Role and responsibilities**

- 5.1 The Committee does not remove from the Board any of its responsibilities and legal obligations. Rather it is a committee established to assist the Board in the conduct of its

responsibilities and will report back to the Board on all material matters and issues requiring decisions in principle.

- 5.2 The Committee is directly responsible and accountable to the Board for the exercise of the Committee's responsibilities.

#### Risk management and internal control

- 5.3 The Committee's responsibilities are to:

- (a) see that the Executive has appropriate processes for identifying, assessing and responding to risks in a manner that is in accordance with the organisation's risk appetite, and that those processes are operating effectively;
- (b) see the Company and the Board has in place procedures to deal with complaints from staff and third parties (including whistleblowing protections), addressing concerns over financial controls, improper behaviour (including sexual harassment, workplace bullying and discrimination), health and safety, misuse of Company property, abuse of position or any other activity, problems or issues relating to the affairs of the Company, staff, Directors, customers or suppliers;
- (c) understand the internal control systems implemented by the Executive for the approval of transactions and the recording and processing of financial data;
- (d) understand the controls and processes implemented by the Executive to see that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate review; and
- (e) evaluate the overall effectiveness of the internal control and risk management frameworks, including the risk of fraud.

#### Financial reporting

- 5.4 The Committee's responsibilities are to:

- (a) gain an understanding of the current areas of greatest financial risk and how these are being managed;
- (b) review significant accounting and reporting issues, including recent professional and regulatory announcements, and understand their impact on financial reports;
- (c) oversee the periodic financial reporting process implemented by the Executive and review the interim financial statements, annual financial statements and preliminary announcements before their release; and
- (d) meet with the Executive and the external auditor to review financial statements, key accounting policies and decisions, related party transactions and the results of the audit.

#### Compliance

- 5.5 The Committee's responsibilities are to:

- (a) review the effectiveness of the processes for monitoring the Company's compliance with relevant laws, regulations, NZX Listing Rules, NZX policies and guidelines,

internal policies, industry standards and expectations of key stakeholders, including customers and employees;

- (b) obtain regular updates from the Executive about compliance matters that may have a material impact on the Company's financial statements, strategy, operations or reputation; and
- (c) be satisfied that all regulatory compliance matters related to the business of the Company have been considered in the preparation of the financial statements.

#### External audit

5.6 The Committee's responsibilities are to:

- (a) consider the independence of the external auditor and any potential conflicts of interest;
- (b) review the performance of the external auditor and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditor, including ensuring that the audit partner is changed at least every five years; and
- (c) discuss with the external auditor any audit problems encountered in the normal course of audit work; and
- (d) review policies for the provision of non-audit services by the external auditor and, where applicable, the framework for pre-approval of audit and non-audit services.

#### Internal audit

5.7 The Committee's responsibilities are to:

- (a) review the effectiveness, activities, resources and organisational structure of the internal audit function (if one is appointed); and
- (b) see that significant findings and recommendations made by the internal audit function (if one is appointed) and the Executive's proposed response (if applicable) are received, discussed and appropriately acted on.

#### Tax management

5.8 The Committee's responsibilities are to:

- (a) see that the Executive has in place and is implementing an effective tax strategy; and
- (b) see that the Company accurately reports tax matters and their impact within the financial statements and internal reports of the Company.

#### Treasury management

5.9 The Committee's responsibilities are to:

- (a) see that the Executive is effectively minimising and managing treasury risk; and

- (b) see that the Company is operating within its banking covenants (if any), and manages and monitors any exceptions (and the applicable consenting process with the banks).

## 6. **Reporting**

- 6.1 The Committee will regularly update the Board on the Committee's operation and activities during the year and make appropriate recommendations. The Committee will ensure the Board is aware of matters that may significantly affect the financial condition or affairs of the Company.
- 6.2 The Committee will prepare and lodge any reports requested by the Board.

## 7. **Administrative arrangements**

### Induction

- 7.1 New members will receive relevant information and briefings on their appointment to assist them to meet their Committee responsibilities.

### Review of performance and this Charter

- 7.2 The Committee will periodically review its own performance and that of individual members, including by reference to this Charter. The Committee will also periodically review the appropriateness of this Charter.
- 7.3 The Committee will report its findings to the Board and any substantive changes to this Charter will be recommended by the Committee and formally approved by the Board.

Last updated 18 October 2016.

**SCHEDULE**  
**ANNUAL WORK PLAN**

1. Half-Year
  - (a) Half-year accounting issues and risks
  - (b) Half-year accounts and supporting schedules
  - (c) Banking covenants
  - (d) Areas of judgement
  - (e) Compliance review
  - (f) Non-audit fees
  - (g) Executive and Directors representation letters
  - (h) Internal audit (if applicable)
  - (i) External audit plan and budget
  - (j) External auditor's reports
2. Full-Year
  - (a) Full-year accounting issues and risks
  - (b) Full-year financial statements and supporting schedules
  - (c) Banking covenants
  - (d) Areas of judgement
  - (e) Compliance review
  - (f) Non-audit fees
  - (g) Executive and Directors' representation letters
  - (h) Internal audit (if applicable)
  - (i) External auditor's reports
3. Other
  - (a) Insurance renewal
  - (b) Treasury review
  - (c) Committee performance review
  - (d) Board Charter and policy updates
  - (e) Business risk and continuity review
  - (f) Shareholders review