

# Audit & Risk Committee Charter V4.0

## 1 Purpose

The role of the Audit & Risk (A&R) Committee is to assist the Board to fulfil its responsibilities in relation to Trustpower's

- External financial reporting
- External audit functions
- Internal audit functions
- Risk management

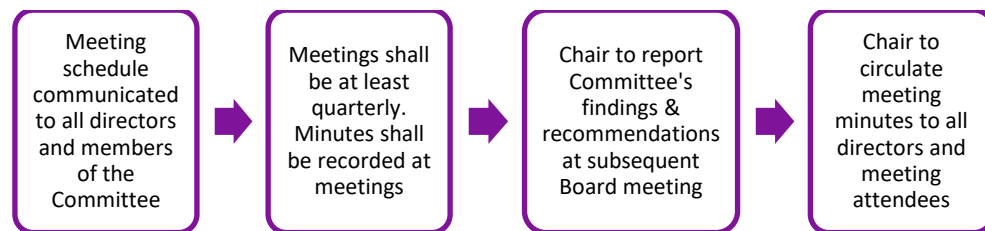
Those responsibilities will include but not be limited to matters involving the Companies Act, Financial Markets Conduct Act, and NZX requirements, as determined by the Board.

## 2 Composition of A&R Committee

The Board is responsible for the appointment and removal of Committee members, and for appointing the Chair. The Committee will:

- comprise a minimum of three directors with at least two being independent
- have a director, who is not Chair of the Board, as Chair.
- have at least one member with an accounting or financial background.
- require at least two Committee members be present, including one independent Director, for a quorum to be reached.

## 3 Committee meetings & procedure



Employees shall attend meetings at the invitation of the A&R Committee.

## 4 Powers, authorities & responsibilities

The Board holds full accountability for audit and risk.

The A&R Committee has the principal function to assist the board in producing accurate financial statements in compliance with all applicable legal requirements and accounting standards and extends to include risk oversight. The committee ensures that procedures are in place to minimise the likelihood of loss or harm from each of the identified risks

The A&R Committee can:

- access any information, resources or assistance it requires from any officer of Trustpower
- obtain (at Trustpower's expense) independent professional advice considered necessary to carry out its responsibilities
- meet with internal / external auditors without members of management present to discuss audit findings
- make recommendations to the Board on all matters requiring a decision

The Committee does not have the authority to make decisions on behalf of the Board unless specifically stated in this Charter.

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## 4.1 Responsibilities

Financial Reporting	Internal Audit	Risk Management	External Audit
<ul style="list-style-type: none"> <li>● Ensure all financial information for external purposes is accurate, not misleading, contains appropriate disclosures &amp; complies with all relevant accounting standards.</li> <li>● Review all financial information (with auditors &amp; management) prepared for external purposes</li> <li>● Ensure the Board is properly &amp; regularly updated on all financial matters</li> <li>● Monitor &amp; review:               <ul style="list-style-type: none"> <li>○ Compliance with statutory &amp; regulatory matters (including related party transactions)</li> <li>○ Significant accounting &amp; reporting issues including regulatory changes/reports</li> <li>○ Overall debt, cash &amp; treasury management</li> <li>○ Generation asset valuations, &amp; recommend approval to Board as appropriate</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Oversight of the Internal Audit Programme</li> <li>● Review &amp; approve the annual internal audit programme, audit scope &amp; appointment of internal auditors</li> <li>● Monitor progress of the internal audit programme &amp; ensure there are no unjustified limitations imposed by management</li> <li>● Ensure management respond to recommendations by the internal auditor</li> <li>● Review audit findings &amp; management's response</li> <li>● Determine adequacy of internal controls</li> <li>● Monitor progress of audit recommendations</li> <li>● Oversight of legal compliance</li> <li>● Provide recommendations to the Board, where further action is required.</li> </ul>	<ul style="list-style-type: none"> <li>● Provide strategic guidance &amp; feedback to the Board &amp; management on the Enterprise Risk Management (ERM) framework</li> <li>● Review &amp; monitor the effectiveness of the ERM Framework &amp; the maintenance of an appropriate risk culture</li> <li>● Quarterly review existing/emerging material risks</li> <li>● Report material changes to Trustpower's risk profile to the Board &amp; how these are being managed (including any incident involving fraud, or other failure of internal control)</li> <li>● Determine acceptability of material risks &amp; align the risk profile with limits set by the Board</li> <li>● Review the adequacy of the insurance programme &amp; recommend to the Board any significant changes to insurance cover.</li> </ul>	<p>Oversight of external audit, including:</p> <ul style="list-style-type: none"> <li>● Provide recommendations to the Board regarding appointment (&amp; removal) of external auditors &amp; their fees</li> <li>● Review proposed audit scope &amp; ensure there are no unjustified limitations to scope</li> <li>● Agree &amp; sign external audit engagement letters</li> <li>● Confirm independence of external auditor</li> <li>● Review the performance of the external auditors</li> <li>● Ensure external auditors are responsible to the shareholders for the exercise of their statutory responsibilities</li> <li>● Ensure significant findings &amp; recommendations are received &amp; discussed on a timely basis &amp; management responds to recommendations</li> <li>● Meet with external auditors to discuss matters arising from external financial statements</li> <li>● Meet with external auditors without management present at least annually.</li> </ul>

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## 5 External auditor independence

Oversight of Trustpower’s external audit arrangements, including audit independence, is the responsibility of the A&R Committee.

The Committee will ensure that External audit practices and processes are informed by the International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand).

The external auditor is required to **confirm their independence** to the Committee at least annually.

Members of the external audit team are **not permitted to:**

- Undertake any role not permitted under the code of ethics
- Audit their own work
- Own shares in Trustpower either directly or indirectly through another vehicle (e.g. trust) over which they have control or influence
- Function as management or be a close relative of any employee of Trustpower who is in a management position
- Transact with Trustpower in a personal capacity, unless that transaction is immaterial and routine (e.g. as an electricity or telco customer).

To ensure independence of the external auditors are maintained:

- Trustpower’s audit fee cannot be more than 15% of the Audit firm’s total revenue.
- Non-audit fees greater than \$25,000 should be reviewed by the Chief Financial Officer and reported to the Audit and Risk Committee for approval.
- Trustpower’s key audit partner shall be changed at least every five years.
- Hiring of any partner or audit management from the audit firm must first be approved by the Chair of the Audit & Risk Committee. There are no restrictions on hiring staff from the audit firm.

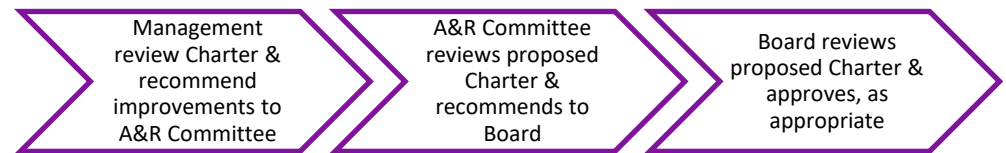
## 6 A&R Committee review

The Board will assess the effectiveness of the A&R Committee every two years. The findings should be considered by the Committee and Board and actioned appropriately.

## 7 Document management

The Board will review and approve this Charter at least annually or as often as considered necessary.

### 7.1 Charter review process



### 7.2 Charter history

Date	Version	Name
2021	4.0	Audit & Risk Committee Charter
2020	3.0	Audit & Risk Committee Charter
2017	NA	Audit and Risk Committee Charter
2012	NA	Audit Committee Charter