



# Audit and Risk Management Committee Charter

June 2017

## Introduction

This charter sets out the governance requirements for the Board Audit and Risk Management Committee including the roles and responsibilities, procedures, members' powers and reference to applicable legislation.

## Role

The Audit and Risk Management Committee's ("the Committee") role is to:

- 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;
  - financial management;
  - internal control systems;
  - accounting policy and practice;
  - the risk management framework and monitoring compliance with that framework;
  - technology performance, protection of customer information and IT security;
  - related party transactions; and
  - compliance with applicable laws, regulations and standards.
- improve the quality, credibility and objectivity of the accounting process, including financial reporting.
- oversee and monitor the performance of the internal and external auditors.
- assess the external auditor's independence and qualifications and ensure that the external auditor's independence is maintained.
- provide a structured reporting line for internal audit and ensure the objectivity

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of internal audit.

- provide oversight of the structure and outcome of remuneration incentive arrangements as they relate to key internal audit personnel.
- act as a formal forum for free and open communication between the Board, the internal and external auditors and management.

## Composition

The Committee must have a minimum of three Directors. All Committee members must be non-executive Directors, and a majority of the Committee members must be independent in accordance with the independence criteria set out in the Board Charter. At least one member shall have an accounting or financial background, and all other Committee members must be financially literate.

For the purposes of this Charter, a member of the Committee shall be deemed to have an adequate "accounting or financial background" if he or she is a qualified finance professional with experience in finance and accounting matters and:

- (i) is a member of the New Zealand Institute of Chartered Accountants or has held a Chief Financial Officer position within an NZX listed entity for a period of greater than 24 months;
- (ii) has successfully completed a course approved by NZX for audit committee membership; or
- (iii) has the experience and/or qualifications deemed satisfactory by the Board.

In addition, some members should have an understanding of the industry in which Spark New Zealand operates.

The Board shall appoint the Chairperson of the Committee who is independent and shall not be the Chairperson of the Board. The appointment and removal of Committee members shall be the responsibility of the Board.

## Procedure

The Committee should meet the internal and external auditors without management present as a standing agenda item at each quarterly meeting, and at other meetings if requested by either party.

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Currently meetings to consider the approval of the semi-annual financial statements will be in February and August.

The Chairperson of the Committee shall be entitled to invite persons to attend Committee meetings as deemed necessary. Employees should only attend at the invitation of the Committee.

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

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

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

## Responsibilities

“External financial reporting” in this section means the half-yearly and annual financial statements, Management Discussion and Analysis, and the reports of the external auditor on the findings of their external audits/reviews.

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

1. External Financial Reporting
  - 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.
  - considering, when conducting that review:

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- the underlying quality, not just acceptability, of the external financial reporting;
- changes in accounting policy and practice;
- any significant accounting estimates and judgements;
- accounting implications of new and significant transactions;
- management practices and any significant disagreements between management and the external auditors;
- the propriety of related party transactions;
- compliance with applicable New Zealand, Australian, and international accounting standards; New Zealand and Australian Stock Exchange requirements; and legislative requirements including the Companies Act (NZ), Financial Reporting Act (NZ), Corporations Law (Australia); and
- the annual certification by the Managing Director and the Chief Financial Officer to the Board that:
  - the Company's financial reports represent a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
  - the above statement has been made based on a sound system of risk management and internal control and compliance which implements the policies adopted by the Board.
- meeting with the external and internal 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.
- discussing in a general manner the content of MD&A, press releases and analyst presentations given in respect of any semi-annual financial reporting.

## 2. Financial Management

- reviewing and approving any Director certificates required pursuant to Spark New Zealand's debt facilities (including the Telebonds and EMTN Trust Deeds and AMTN, Standby and Bank Facilities).
- executing any Director certificates required pursuant to Spark New

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Zealand's debt facilities (including the Telebonds and EMTN Trust Deeds and AMTN, Standby and Bank Facilities) on behalf of Spark New Zealand Limited, provided that two members carry out such execution.

## 3. Internal Controls

- considering the adequacy of internal controls after consultation with the external and internal auditors and management (who should report at least annually to the Committee).
- reviewing the fraud report prepared by internal audit on a quarterly basis and disclosing to the external auditor any fraud that involves employees who have a significant role in the Company's internal controls.
- reviewing the report from the Managing Director and Chief Financial Officer concerning the processes that are used to reach the opinion for the Managing Director and Chief Financial Officer's certification of the Annual Report and the auditor's attest of that report. The report should include:
  - an assessment of the effectiveness of the internal control structure and procedures for financial reporting, including:
    - details of all significant deficiencies in the operation of the internal controls which are designed to accurately record financial data;
    - details of any employee fraud which could affect internal controls; and
    - details of any significant changes in internal controls since the date of the Managing Director and Chief Financial Officer's evaluation.
  - a statement of management's responsibility for establishing and maintaining adequate internal control over financial reporting;
- reviewing the certification by the Managing Director and the Chief Financial Officer to the Board that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

## 4. Risk Management

- reviewing the principal risks contained in the risk profile of the company on an annual basis.
- ensuring that management has established a risk management

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framework which includes policies and procedures to effectively identify, treat and monitor principal business risks.

- at least annually assess the effectiveness of the implementation of the risk management system;
  - monitoring compliance with the risk management framework.
5. Technology performance, protection of customer information and IT security
- reviewing operational and technology performance information on a quarterly basis; and
  - ensuring management has established programmes of work to effectively identify, manage and monitor technology and IT risks, and to protect customer information.
6. External and Internal Audit Services
- recommending for shareholder approval candidates to act as the external auditor only if they are appropriately qualified and meet the independence criteria set out in the External Audit Independence Policy.
  - appointing the external auditor, subject to shareholder approval annually confirming the appointment of the external auditor, and terminating the external auditor's appointment as appropriate.
  - pre-approving all audit services (including all statutory and regulatory audits) provided by the external auditor.
  - pre-approving all non-audit services provided by the external auditor in accordance with the External Audit Independence Policy.
  - pre-approving all audit services provided by firms other than the external auditor in accordance with the External Audit Independence Policy.
  - establishing the external auditor's fees, subject to shareholder approval.
  - reviewing the external auditor's fees, terms of engagement, external audit work plan and annual independence statement.
  - reviewing the external auditor's half-yearly statement of non-audit fees and monitoring the ratio of non-audit fees to audit fees.
  - annually assessing and confirming to the Board the independence of the external auditor after consideration of the External Audit Independence Policy criteria including assessing whether the independence of the

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external audit process has been maintained in light of the performance of any non-audit services.

- ensuring that the lead audit engagement and concurring audit partners are rotated every five years.
- at least annually, reviewing a report from the external auditor which describes:
  - Spark New Zealand's internal quality-control procedures relating to external financial reporting;
  - issues from the most recent internal quality-control review/ peer review of the external auditor and any steps taken to deal with such issues;
  - issues from any inquiry or investigation by government or professional authorities within the preceding 5 years, into one or more independent audits carried out by the external auditor and any steps the external auditor has taken to deal with such issues;
  - all relationships between the external auditor and Spark New Zealand;
  - "critical accounting policies" used by Spark New Zealand;
  - alternative treatments of financial information within Generally Accepted Accounting Practice that have been discussed with management, the ramifications of these treatments and the treatment preferred by the external auditor;
  - material written communications between the external auditor and management;
  - the external auditor's policy on audit partner rotation, which should include confirmation that audit partners are subject to five yearly rotation.
- reviewing the Group Audit Manager appointment.
- regularly monitoring and reviewing the internal audit work plan and any audit problems or difficulties (including management's responses).
- approving the hiring by the Company of any former partner or audit manager, of the external auditor, in accordance with the External Audit Independence Policy.

## 7. Audit Incentives

- approving the list of key internal audit and financial control personnel

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recommended by the Chief Financial Officer for the purpose of remuneration incentive governance.

- ensuring that remuneration incentive arrangements for key internal audit and financial control personnel are structured and operated in a manner which does not give rise to any perceived or actual compromise of the independence of those personnel.
- reviewing and approving the performance objectives and measures recommended by the Chief Financial Officer for key internal audit and financial control personnel.
- recommending the performance and incentive outcomes for key internal audit and financial personnel for each financial year to the Human Resources and Compensation Committee.

## 8. Disclosure

- ensuring that the Committee Charter appears on Spark New Zealand's website.

## 9. Reporting

- regularly reporting to the Board on key matters considered by the Committee and their resolution.
- considering other matters as directed by the Board from time-to-time.

## 10. Complaints

- ensuring the confidential and anonymous receipt, retention and treatment of complaints regarding accounting controls or auditing matters by use of the Financial Compliance Escalation Procedure.
- investigating matters under its authority.

## 11. Compliance with Applicable Laws and Regulations

- a quarterly review of Spark New Zealand's compliance with applicable laws, regulations, and standards through Spark New Zealand's compliance frameworks.



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## Members' Powers and Authority

The Committee and each member of the Committee shall have the authority of the Board to:

- retain, terminate and consult with outside or other independent external advisers (including legal) at the Company's expense;
- secure the attendance at meetings of outsiders with relevant experience;
- have unrestricted access to and direct communication with management, the internal and external auditors; and
- where the Committee or a Committee member deems it necessary to carry out the functions of the Committee.

The Company will pay the ordinary administrative costs of the Committee.

Committee members are not employees of Spark New Zealand. Committee members (other than the financial expert) do not represent themselves to be experts in the fields of accounting or auditing. As such, it is not the responsibility of the Committee personally to conduct accounting or auditing reviews or procedures.

Committee members are generally entitled to rely on Spark New Zealand executives, on matters within their responsibility, and on external professionals on matters within their area of expertise, provided such professionals are privy to all relevant information and so long as the Committee member (acting reasonably) is not aware of any grounds upon which such reliance may be inappropriate (in which case further enquiry will be warranted for the Committee member to establish reasonable grounds for the explanations given).

The Board may generally rely upon information provided by the Committee and its members in relation to matters within the Committee's responsibility under the terms of this Charter provided that it has evaluated the information and is not aware of any basis upon which to question its accuracy (in which case further enquiry will be warranted for the Board to establish reasonable grounds for the explanations given).

Management is responsible for the preparation, presentation and integrity of the

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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 with accounting standards and applicable laws and regulations. Internal audit is responsible for independent reviews of the integrity of financial data and of the risk control framework and compliance with policies and regulations.

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.

### **Accountability to the Board**

The Board annually reviews both this Charter and the Committee's performance against this Charter.