



# INFRATIL LIMITED

## Audit and Risk Committee Charter

### 1. POLICY STATEMENT

The Board Audit and Risk Committee (**ARC**) has been established as a sub-committee of the Board of Directors (**Board**). The ARC monitors the performance of Infratil and its subsidiaries (**Group**) to ensure financial and operating results reported to the Board and in the Group's published financial statements or releases of financial information are a true and fair reflection of the activities and financial performance of the business and are prepared in accordance with applicable New Zealand GAAP and NZ IFRS. In order to achieve this, the ARC monitors the roles, responsibilities and performance of external audit and makes recommendations to the Board.

All subsidiaries are to have a common balance date.

### 2. PURPOSE

The purpose of this charter is to set out clearly the principles and mandate supporting the operation of the ARC.

### 3. AUTHORITY

The Board authorises the ARC, within the scope of its responsibilities, to obtain outside legal or other independent professional advice, as the ARC deems necessary.

The ARC is authorised to seek any information from any officer or employee of Infratil or Morrison & Co, all of whom are directed to cooperate with any request made by the ARC.

### 4. UNDERLYING PHILOSOPHY

- The Board aspires to achieve best practice standards in corporate governance and in the preparation and presentation of its published financial statements and reports.
- The monthly financial and operational statements presented to the Board are the most significant tools the Board has to monitor the integrated performance of the Group.
- The underlying internal control systems and accounting records determine the accuracy of the results reported to management and the Board.
- External audit and the CFO are responsible for reviewing and making recommendations relating to the control systems to ensure they produce accurate financial reporting and results, with the external audit role being in accordance with the agreed Audit Strategy presented annually to the Audit & Risk Committee.

- To ensure the external auditor is able to perform its roles effectively it must remain independent of the management of the company.
- The Board is responsible for appointing the external auditor and confirming the annual audit fee on the recommendation of the ARC.
- The Board recognises that the relationship with the external auditor must be managed in a consistent and transparent manner and is committed to clear roles, responsibilities and processes to achieve this.
- The Board also recognises that situations may arise where the theoretical risk of conflict of interest may be outweighed by the value to the Group of the external auditor undertaking certain activities. Where such situations arise the Board is committed to a clear approval process and to documenting such decisions in a defined and transparent manner.
- The Board recognises the importance of the management of risk including the regular identification, analysis, treatment and reporting of key business risks. The ARC has a function of reviewing and reporting to the Board on the management practices in relation to the identification and management of significant business risk areas and regulatory compliance.

## **5. CORPORATE OBJECTIVES**

- To ensure the Group's financial statements are prepared in accordance with New Zealand law and generally accepted accounting practice and provide a true and fair view of the financial position, cash flows and results of the Group's operations.
- To ensure any relevant financial reports and statements are prepared in accordance with applicable accounting and reporting standards, and legislative requirements for the jurisdiction in which the company or any entity in the Group operates.
- To monitor the internal control systems and financial records operating within the Group.
- To ensure the Group's risks are identified, managed, treated and reported.
- To avoid situations of potential conflict of interest, real or perceived, arising from the engagement of the Group's external auditor.
- To safeguard and support the independence of view of the Group's external auditor.
- To be able to demonstrate a robust and transparent policy for the management of the Group's external audit processes and activities, that supports the above objectives and complies with relevant regulation, legislation and current accounting and reporting standards.

## **6. OBJECTIVES OF THE AUDIT AND RISK COMMITTEE**

The main objectives of the ARC are to:

- Assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to the Group's governance processes including assessing the adequacy of the Group's:
  - financial reporting;
  - accounting policies;
  - financial management;
  - internal control system;
  - risk management system;
  - systems for protecting Group assets; and
  - compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial and non-financial disclosures.
- Enhance the efficiency of the Board by allowing delegated issues to be discussed in sufficient depth and, where necessary, with appropriate independent advice.
- Review management's letters of representation.
- Facilitate the continuing independence of the external auditor and enhancing the effectiveness of external audit.
- Provide a formal forum for enhancing free and open communication between the Board, senior financial management and external audit, ensuring there has been no unjustified restrictions or limitations placed on the auditors.
- Each material Portfolio Entity also has an Audit & Risk Committee and its own charter. Their Audit & Risk Committee objectives are intended to mirror the overall objectives of the Infratil Audit & Risk Committee but at a Portfolio Entity level. The composition of each committee is a matter for the board of the relevant Portfolio Entity, but the Infratil Audit & Risk Committee will receive copies of the Audit & Risk Committee papers and minutes which are required as part of the preparation of Infratil's financial statements.

## **7. COMMITTEE OPERATIONS**

### **7.1 Membership and Meeting Proceedings**

- The ARC will comprise a minimum of three Directors, all of whom shall be Independent Directors. At least one member of the ARC will have a financial or accounting background as that term is described in the NZX Listing Rules or related guidance.
- The Chair of the Board shall be an ex officio member of the ARC (i.e. a full member of the ARC by virtue of holding the position of Chair of the Board).
- Members (other than the Chair of the Board) will be appointed by the Board and will hold office until removed and substituted by Board resolution.
- The Chair of the ARC shall not be the Chair of the Board.

- The Chair of the ARC shall not have a long-standing association with Infratil's external audit firm as a current or retired audit partner or senior manager of the firm. The Chair will generally be perceived to be independent if there has been a period of at least 3 years between being employed by the auditor and serving as the Chair of the ARC.
- The ARC will meet at least quarterly to fulfil its obligations as set out in this Charter. The Chair may convene a meeting if he or she considers one is required. The Chair will also convene a meeting upon request of any ARC member who considers it necessary.
- The ARC will meet as required to consider the quarterly (if appropriate), half-year and annual financial statements to be reported to the Board prior to public release. The CFO and external auditor will provide appropriate resources, papers and recommendations to the ARC to facilitate this responsibility.
- A quorum shall be two ARC Members.
- The Board may refer specific matters to the ARC, for instance investigations into fraud, defalcations, avoidable losses or other breakdown in internal controls.

The Board will be advised of, and be circulated with, the papers for any scheduled ARC meeting, and any non-executive Director may attend. The Agenda and supporting ARC papers will be notified to the ARC. The CEO and CFO will not be members of the ARC but may attend ARC meetings by invitation from the Chair.

- The ARC may invite any officer or employee of Infratil to attend any meeting and provide pertinent information as necessary.
- The Company Secretary or nominee shall act as Secretary of the ARC (unless the ARC determines otherwise).
- At least seven working days' notice will be given for meetings, unless circumstances require an urgent meeting to be called.
- Agendas and associated papers will be distributed to, and received by, ARC members at least 5 business days prior to each meeting.
- The CFO must sign off papers prior to distribution (unless the ARC determines otherwise).
- Minutes will be recorded documenting the discussion, the decisions taken at the ARC and all resulting recommendations to the Board. These minutes will be tabled, or reported on, at the earliest available Board meeting.
- The ARC will meet separately in a confidential session with external auditors and without management being present, at the conclusion of each meeting, and at any other time requested by any party.
- The ARC will review its charter annually, or earlier where necessary, to reflect changed circumstances. The updated charter will be forwarded to the Board for approval and adoption.

## **7.2 External Audit Relationship**

- The CFO may be invited to assist the ARC in the selection of the external auditor, and will recommend the annual fee structures for external audit for consideration by the ARC and recommendation to the Board.
- The ARC is responsible for considering and making recommendations to the Board regarding any issues relating to the appointment, dismissal or resignation of the external auditor.
- Conflicts of interest are to be avoided in engaging the external auditor. The ARC is responsible for ensuring the rotation of the senior audit partner and peer review partner after a maximum of five years and ensuring suitable succession planning to maintain the quality of the service.
- The ARC will require the external auditor to confirm annually that it has complied with all professional regulations relating to auditor independence. Specifically, the external auditor will be required to confirm its commitment to strict procedures to ensure that:
  - The external auditor, its partners, and current audit team do not have any financial interest in the Group;
  - There are no business activities (of the type defined as not permitted in Appendix 2) between the Group and the external auditor;
  - No fee paid by the Group to the external auditor is paid on a contingency basis.
- The ARC will be responsible for determining whether potential engagements of the external auditor are appropriate, documenting decisions and recommending to the Board accordingly.
- The CFO is responsible for the day-to-day relationship with the external auditor, while subsidiaries have a direct responsibility for their relationship with the external auditor ensuring provision of timely and accurate information and full access to the company records.
- The ARC is responsible to regularly monitor and review the external auditing practices and shall each year to report to the Board on the relationship and effectiveness of the external auditors and audit processes.
- The ARC shall ensure it has direct communication with and unrestricted access to the external auditors.

## **7.3 Assessing the Audit and Risk Committee's Performance**

- The ARC will be subject to a periodic review by the Board, including self-assessment by committee members.

## **8. AUDIT AND RISK COMMITTEE COVERAGE**

The detailed coverage of the ARC, and its responsibilities and functions, is included in Appendix 1. It covers the following areas: external reporting, related party transactions, internal control and risk management and external audit.

**9. EXTERNAL AUDIT CONTROL PRINCIPLES AND PRACTICE**

The process for considering external audit independence is addressed in Appendix 2.

**10. INTERPRETATION**

Capitalised terms in this Charter, which are not otherwise defined in this Charter, have the same meaning as given to those terms in Infratil's Board Charter.

## APPENDIX 1 – AUDIT AND RISK COMMITTEE COVERAGE

### 1.1 External Reporting

- Consider and recommend to the Board adoption of the half-year and annual financial statements (including the notes thereto) and all other financial statements prepared by the Group.
- Consider the appropriateness of the Group's accounting policies and principles and any changes, as well as the methods of applying them, so as to ensure they comply with NZ-GAAP, NZ IFRS, New Zealand law and NZX Listing Rules. To do this the ARC requires management to advise:
  - whether the methods chosen by management are consistent with NZ-GAAP, NZ IFRS and New Zealand law;
  - any proposed changes in significant accounting policies or their application during the reporting period, and to anticipate any future changes in accounting standards;
  - the methods used to account for significant, unusual transactions or transactions in emerging areas for which there may be no specific accounting standard;

and then request the external auditors to inform the ARC of their views in relation to any of the above.

- Assess significant estimates and judgements in financial reports by enquiring of management about the process used in making material estimates and judgements and then enquiring of the external auditors the basis for their conclusions on the reasonableness of management's estimates.
- Ensure that management presents to the ARC all relevant information for the Board to issue appropriate financial statements and reports in compliance with prevailing NZX reporting requirements.
- Assess information from the CFO and external auditors that affects the quality of financial reports (e.g. actual and potential material audit adjustments, financial report disclosures including post balance date events, non-compliance with relevant laws and regulations, internal control issues).
- Require the external auditor to supply an independent judgement about the appropriateness of the accounting principles used and the clarity of the financial disclosure practices used or proposed to be used by the Group in order to achieve a true and fair view about the Group's financial statements and associated financial reports.
- Assess management's internal control process for information releases or publication of financial information in public documents or posted on the website (both public and internal) to ensure that information does not conflict with Board approved financial statements or other financial reports.

- Recommended to the Board whether the financial statements should be approved for signature by the Chair of the Board and one other Director, based on the ARC's assessment of them.

## **1.2 Related-Party Transactions**

Review the record in the periodic Finance Reports to the ARC of the status of related party transactions, ensuring that:

- The form of reporting fairly and accurately represents the transactions;
- The approvals of related party transactions are in accordance with Group policies and internal control framework, and where appropriate, the NZX Listing Rules, the Companies Act 1993, and the Company's constitution; and
- The Board and, if required, the market (through either disclosure to the NZX and ASX, and Infratil's Annual Report) have been, or will be, properly informed of the transactions.

## **1.3 Internal Control and Risk Management**

- Assess and monitor internal processes for determining and managing key risk areas, particularly recording within the financial statements the effects of:
  - Non-compliance with laws, regulations, standards and best practice guidelines, including environmental and industrial relations laws;
  - Important judgements and accounting laws;
  - Litigation and claims;
  - Fraud and theft; and
  - Relevant business risks other than those that are dealt with by other Board committees.
- Ensure the Group has an effective risk management framework to identify, treat and monitor key business risks. Receive from management on a six monthly basis, a report for endorsement to the Board, detailing the Infratil risk profile and status of risk treatment plans for key business risks.
- Ensure the Group effectively manages and monitors financial derivative risks through the review of financial exposure reports, and ensure appropriate disclosure in management and financial reports of the Group.
- Review and evaluate with the CEO, CFO and external audit, the processes in place for assessing and continuously improving internal controls, particularly those related to areas of significant risk and unusual types of transactions and/or any potential transactions that may carry more than an acceptable degree of risk.
- Receive from management, reports on all suspected and actual frauds, defalcations, avoidable losses, thefts and breaches of laws.
- Receive from the CFO on a six monthly basis (coinciding with the half-year and annual financial statements), an internal control opinion of the effectiveness of the internal control framework.

- Ensure the ARC has direct communication with and unrestricted access to the CFO and any other internal auditor or accountant.

Review and confirm with the CFO, that the Annual Return, Statutory Registers and Substantial Product Holders Notices are properly and effectively maintained in accordance with relevant legislation.

#### **1.4 External Audit**

- Ensure any recommendation by management that the external auditor should be replaced or that external audit should be put out to tender is referred to and examined carefully by the ARC, who shall report to the Board accordingly, before any decision is made by the Board.
- Review the external auditor's fee and be satisfied that an effective, comprehensive and complete audit can be conducted for the set fee.
- At the start of each audit, agree terms of the engagement, associated audit work plan and timetable with the external auditor.
- Invite the external auditor to attend ARC meetings to, at least, review the proposed half-year and annual financial statements, progress on the audit plan, discuss any audit findings and consider their implications for the internal control environment
- Enquire of the external auditor if there have been any significant disagreements with management irrespective of whether or not they have been resolved.
- At the time financial statements bearing an audit opinion are considered, the committee shall receive and consider a report from the external auditors on their audit, including their Audit Management Letter.
- Monitor and critique management's responses to the external auditor's findings and recommendations.
- Ensure rotation of Infratil's Key Audit Partner at least every five years with suitable succession planning to ensure consistency.

## **APPENDIX 2 – EXTERNAL AUDIT CONTROL PRINCIPLES AND PRACTICE**

The ARC will monitor the perceived and actual independence of the external auditor.

Representatives of the external auditor (including at least the engagement partner) will attend each Annual Meeting to answer any questions by shareholders about the external audit and the content of the Auditor's Report. The external auditor will also be responsible as the independent scrutineer and for reporting the results of any poll votes to the Infratil Chair. The external auditor shall retain possession of all voting forms until directed to dispose of them by the Infratil Chair.

### **Engagement of the External Auditor**

#### **Services which are permitted**

The Group's external auditor may be used for the following activities that require the auditor to give an impartial view to the ARC on:

- Statutory audit.
- Statutory returns and other required audit obligations in respect of public issuer or securities or regulatory documents and other associated audit or regulatory reporting. This includes the annual review of the Share Register in accordance with the section 218 of the Financial Markets Conduct Act 2013.
- New or amended exposure drafts and any other financial reporting standards applicable to the Group.

The external auditor may be used as a source to provide concepts or information as input to developments in financial management or reporting areas but not in any implementation or other associated service provision to the Group.

The Group wishes to avoid actual or inferred conflicts of interest. The employment of the external auditor on the above activities should not create the potential for a future or perceived conflict of interest. However should such circumstances arise, the matter should be referred to the ARC for recommendation to the Board for consideration and approval. The decision and its risks will be recorded in the ARC and Board minutes.

#### **Services which are not permitted**

The Group's external auditor cannot undertake the following services:

- Internal audit
- Providing bookkeeping and accounting services
- Actuarial services
- Forensic accounting/suspicious transaction analysis
- Preparation of tax calculations for reporting purposes
- Design or implementation of key financial information systems and processes
- Information Technology Security risk audit
- Advice on business process improvement and operational efficiency
- HR services for senior management or executives
- Providing payroll services
- Management consultancy or taking on management responsibilities
- Valuations

- Legal services
- Documentation of financial policies and procedures

**Services which may be performed subject to the prior approval of the Chair of the ARC**

The following services require the prior approval of the Chair of the ARC before the Group's external auditor is permitted to provide them:

- Secondments to management positions
- Due diligence and transaction advice activities
- Tax compliance, strategy and related corporate structure advice
- ESG services

Where a service is not specifically addressed above, where there is any doubt as to the appropriateness of engaging the external auditor in an activity, or where a variation to this policy is sought, approval from the Chair of the ARC is required