

August 2020

Audit and Risk Management Committee Charter



Purpose

1. The Audit and Risk Management Committee (**ARMC**) assists the Board in overseeing Chorus' risk and financial management, accounting, audit and financial reporting.

Membership

2. All ARMC members must be non-executive Directors.
3. At least one member must have an accounting or financial background.
4. The ARMC Chair:
 - must not also be the Chair of the Board, and
 - must be independent and not otherwise have a long-standing association with Chorus' external audit firm as a current or retired audit partner or senior manager at the firm.¹

Role

5. The ARMC's role is to:
 - assist the Board in discharging its responsibility to exercise due care, diligence and skill in relation to:
 - the integrity of external financial reporting
 - financial management
 - internal controls
 - accounting policy and practice
 - the risk management framework and monitoring compliance with that framework

¹ The ARMC Chair will generally be perceived to be independent if there has been a period of at least 3 years between previously being employed by the external audit firm and serving as ARMC Chair.

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- related party transactions, and
 - compliance with applicable laws, regulations and standards
- ensure processes are in place and monitoring those processes so the Board is properly and regularly informed on corporate financial matters
- improve the quality, credibility and objectivity of the accounting process, including financial reporting
- oversee and monitor the performance of internal and external auditors
- assess the external auditor's independence and qualifications and ensure:
 - the external auditor's independence is maintained, and
 - the external auditor's ability to carry out its statutory duties is not, and could not reasonably be perceived to be, impaired
- provide a structured reporting line for, and ensure the objectivity of, internal audit
- provide oversight of the structure and outcome of remuneration incentive arrangements for key internal audit personnel, and
- act as a forum for free and open communication between the Board, internal audit, external auditors and Management.

Responsibilities and Powers

6. The responsibilities and powers delegated to the ARMC by the Board are set out in the Schedule.

Responsibilities and Duties of Others

7. The ARMC is not responsible for conducting accounting or auditing reviews or procedures:
 - Management is responsible for:
 - the preparation, presentation and integrity of the financial statements
 - implementing and maintaining appropriate accounting and financial reporting principles, and compliance with accounting standards and applicable laws and regulations
 - internal audit is responsible for independent reviews of the risk control framework and compliance with policies and regulations
 - Chorus' external auditors are responsible for planning and carrying out each audit and review in accordance with applicable auditing and review standards, and
 - Chorus' external auditors are accountable to shareholders (through the ARMC and Board).

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Procedures

8. The ARMC meets quarterly and as required.
9. The ARMC meets the external auditors without Management present:
 - at each meeting considering Chorus' half and full year results, and
 - at other times as requested by either party.
10. The ARMC meets the internal auditors annually without Management present and at other times as requested by either party.
11. The ARMC Chair meets:
 - with the internal audit manager before each ARMC meeting
 - without Management present, the external auditors, internal audit manager and any outsourced internal audit firm as appropriate, and
 - Management as required.

Definitions

12. In this policy:
 - **outsourced internal audit firm** means any outsourced or co-sourced partnership for the internal audit function.

Schedule: ARMC Responsibilities and Powers

Financial Management	
1	Reviewing and approving accounting policies and reporting to the Board.
2	Reviewing, approving and executing any Director certificates required pursuant to Chorus' external financing arrangements, provided that two ARMC members execute such certificates.
3	Reviewing and recommending changes to the Treasury Policy to the Board.
External Financial Reporting²	
4	Reviewing external financial reporting with Management, including whether the reporting is: <ul style="list-style-type: none"> • consistent with the ARMC's understanding of Chorus, and • adequate for shareholder needs.
5	Considering, when conducting the above review: <ul style="list-style-type: none"> • 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; NZX and ASX requirements; and legislative requirements including the Companies Act (NZ), financial reporting legislation in New Zealand, and Corporations Act (Australia), and • annual and half year certification by the CEO and CFO as to the appropriateness of Chorus' financial statements.
6	Meeting with the external and internal auditors without Management present to discuss the practices and issues surrounding external financial reporting.
7	Reporting the results of the review to the Board and recommending, if appropriate, the Board adopt the external financial reporting.
Internal Controls	
8	Periodically considering the adequacy of internal controls after consultation with the external auditors (who should report to the ARMC at least annually).
9	Reviewing the six monthly fraud report and disclosing to the external auditor any fraud involving employees with a significant role in Chorus' internal controls.
Risk Management	
10	Reviewing the certification by the CEO and the CFO to the Board that Chorus' risk management and internal control system is operating effectively.
11	Periodically (usually quarterly) reviewing reporting on Chorus' principal risks.
12	Ensuring Management's risk management framework:

² In this Charter, "external financial reporting" means the half yearly and annual financial statements, commentary accompanying those financial statements, and the reports of the external auditor on their audits/reviews.

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	<ul style="list-style-type: none"> • is in line with the Board’s risk appetite, and • includes policies and procedures to identify, treat and monitor principal risks, and regularly reporting to the Board.
13	Periodically (at least annually) assessing the effectiveness of, and monitoring compliance with, the risk management framework.
External Audit	
14	Recommending the appointment and termination of the external auditor to the Board.
15	Periodically (at least annually) assessing and confirming to the Board the scope and adequacy of the external audit and the independence of the external auditor, after considering the External Audit Independence Policy criteria.
16	Reviewing, at least annually, a report from the external auditor which describes: <ul style="list-style-type: none"> • internal control procedures relating to external financial reporting • findings from the most recent external audit and any steps taken to deal with such findings • all relationships between the external auditor and Chorus • “critical accounting policies” used by Chorus • 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, and • the external auditor’s policy on audit partner rotation, which must provide that the lead/engagement and client service partners rotate at least every five years, and reporting to the Board.
17	Approving the external auditor’s fees, terms of engagement, external audit work plan and annual independence statement.
18	Reviewing the external auditor’s half-yearly statement of fees for the audit or review of Chorus’ financial statements, fees for all other services and monitoring the ratio of those fee categories.
19	In accordance with the External Audit Independence Policy: <ul style="list-style-type: none"> • pre-approving all services provided by the external auditor • approving the hiring of any former partner or audit manager of the external auditor.
20	Ensuring the lead audit engagement and concurring key audit partners are changed at least every five years.
Internal Audit	
21	Recommending to the Board the appointment or termination of any outsourced internal audit firm.
22	Reappointing incumbent internal audit firms in accordance with the Outsourced/co-sourced Internal Audit Policy.
23	Approving any outsourced internal audit firm fees, terms of engagement and internal audit work plan.
24	Annually reviewing the performance of the internal audit function.
25	Periodically (usually quarterly) monitoring and reviewing the internal audit work plan, regular reports from internal audit, Management responses, and the level and standard of controls.
26	Overseeing the independence and objectivity of the internal audit function and, where there is

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	<p>an outsourced or co-sourced partner:</p> <ul style="list-style-type: none"> • reviewing the range of services provided by that partner, if any, in the context of all assurance and consulting services purchased, and • annually reviewing that partner’s performance and making recommendations to the Board regarding the conduct of the internal audit function.
Internal Audit Personnel & Incentives	
27	Reviewing and, where necessary, recommending any internal audit manager appointment.
28	Approving the list of key internal audit personnel recommended by the General Counsel and Company Secretary for the purpose of remuneration incentive governance.
29	At least annually, reviewing the remuneration incentive arrangements for key internal audit personnel to ensure they do not give rise to any perceived or actual compromise of the independence of those personnel.
Complaints	
30	Ensuring the confidential and anonymous receipt, retention and treatment of complaints regarding accounting controls or auditing matters through Chorus’ breach reporting mechanisms (including fraud and whistle blowing reporting).
31	Investigating matters under its authority.
Compliance with Applicable Laws and Regulations	
32	Periodically (usually quarterly) reviewing Chorus’ compliance with applicable laws, regulations, and standards through Chorus’ compliance frameworks.