



# **Audit Committee Charter**

## **Appendix 2**

Tourism Holdings Limited  
31 May 2019

## 1. PURPOSE & OBJECTIVES OF THE COMMITTEE

- The Audit Committee (**Committee**) is a committee of the Board of Directors of Tourism Holdings Limited (**thl**).
- The main objective and role of the Committee is to assist the Board to discharge its responsibility to exercise due care, diligence and skill in relation to **thl** and its subsidiaries in relation to:
  - Financial Reporting
    - Application of accounting policies;
    - Management reports;
    - Half yearly and annual reports; and
    - Financial management.
  - Financial Risk Management to Protect the Group's assets
    - Risk management system;
    - Business policies and practices;
    - Internal control system; and
    - Compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial disclosure.
  - Audit Coverage
    - Internal including internally sourced and outsourced; and
    - External.

## 2. MEMBERSHIP OF THE COMMITTEE

- The Committee shall be comprised solely of non-executive Directors of the Board, and members shall be appointed by the Board.
- The Committee shall have at least three members.
- The number of members of the Committee shall include not less than a majority of independent directors.
- The Chief Executive Officer (**CEO**) shall not be a member of the Committee.
- The Board shall appoint a chairperson of the Committee (**Chairperson**) from the independent members of the Committee.
- The Chairperson shall have an accounting or financial background. The Chairperson will be deemed to have an adequate accounting or financial background if they:
  - are a member of the Chartered Accountants Australia and New Zealand;
  - have held a Chief Financial Officer position at an issuer for a period greater than 24 months;
  - have successfully completed a course approved by NZX for audit committee membership; or
  - have the experience and/or qualifications deemed satisfactory by the board of **thl**.
- The Chairperson shall not be the chairperson of the Board.

### 3. MEETINGS OF THE COMMITTEE

- Meetings shall be held not less than three times a year, having regard to the *thl*'s reporting and audit cycle including timing of Board meetings.
- Any member of the Committee, the CEO, the Chief Financial Officer (**CFO**) or the external auditors may request a meeting at any time they consider it necessary.
- A quorum for a meeting of the Committee shall be three members.
- The Committee may have in attendance such members of management, including the CFO, and such other persons, including the internal and external auditors, as it considers necessary to provide appropriate information and explanations.
- All Directors who are not members of the Committee shall be entitled to attend meetings of the Committee only at the invitation of the Committee.
- The CEO shall not attend those meetings which the Committee chooses to hold without any *thl* executives present.
- Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, all other members of the Board, the CEO, the CFO and the internal and external auditors.
- Minutes of all meetings shall be kept by the board secretary.

### 4. RESPONSIBILITIES OF THE COMMITTEE

The Audit Committee has oversight responsibility in three areas:

- Financial Reporting
- Audit Functions and Coverage
- Financial Risk Management and Control

Matters relating to strategic risk management are not within the responsibilities of the Committee and are separately monitored and reviewed by the Sustainability and Risk Committee.

#### 4.1 Financial Reporting

The Committee shall be responsible for:

- Ensuring that *thl* retains accurate financial and accounting records.
- Obtaining from the CEO and the CFO a formal statement that *thl*'s financial reports present a true and fair view, in all material respects, and *thl*'s financial condition and operational results are in accordance with applicable accounting standards.
- Reviewing the financial statements and reports and advising all Directors whether they comply with the relevant and appropriate laws, regulations and recognised accounting policies.
- Oversight of compliance and statutory responsibilities relating to financial and NZX regulations and guidelines.
- Reviewing financial information prior to its release to NZX and media.
- Reviewing *thl*'s accounting policies and reporting requirements to ensure accuracy and timeliness and the inclusion of appropriate disclosures.
- Considering matters which might be raised by members at the Annual Meeting.

## 4.2 Audit Functions and Coverage

The Committee shall be responsible for:

- Recommending the appointment and removal of the internal and the external auditors, their fees and the terms of their engagement.
- Ensuring that there is direct communication with and unrestricted access between the Committee, management and the external and internal auditors and accountants.
- Reviewing the annual audit plans and fees with the internal and the external auditors ensuring coordination and appropriate reliance placed by the external auditors on the work undertaken by internal audit.
- Meeting regularly to monitor and review the external and internal auditing practices.
- Reviewing and approving the annual internal audit plan.
- Monitoring the implementation of recommendations made by external and internal auditors' actions agreed to be implemented by management.
- Ensuring that reports issued by auditors to management are tabled at Board Meetings together with management's response.
- Obtaining from the CEO and the CFO a written statement that **thl's** financial reports present a true and fair view, in all material respects, and **thl's** financial condition and operational results are in accordance with applicable accounting standards (by the CEO and the CFO) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

In compliance with Principle 7 of the NZX Corporate Governance Code, the following policies and procedures applies to **thl's** relationship with its external auditors:

- With respect to Services provided by the external auditor to **thl**, the Committee is responsible for:
  - Ensuring the quality and independence of the external audit process;
  - Ensuring the rotation of the external auditor or lead audit partner and peer review partner at least every five years with suitable succession planning;
  - Obtaining confirmation of the auditor's independence in writing; and
  - Monitoring and approving the services provided by the external auditor to **thl** other than in its statutory audit role and reviewing total non-audit fees.
- The external auditors are authorised to provide the following types of services:
  - Statutory and other audits; and
  - Treasury management.
- In order to ensure that the ability of the external auditor to carry out its statutory audit role is not impaired, or could reasonably be perceived to be impaired, the external auditors will not provide the following types of services to **thl**:
  - Management consultancy and, in particular, the selection and implementation of technology solutions integrated with the financial information systems;
  - Information and other business risk assurance, including forensic;

- Outsourcing of internal audit;
  - Purchaser or vendor due diligence in M&A, including advice on tax deal structures;
  - Valuation which will then be subject of their audit;
  - Book-keeping services (excluding advice on the statutory accounts);
  - Tax compliance and advisory; or
  - Any other service that could compromise the external auditor's independence from *thl*.
- The Committee shall ensure that the external auditor attends the Annual Meeting and makes themselves available at such meetings to answer questions from investors relevant to their audit.
- Prior to engagement of the external auditors for any other advisory services unrelated to the statutory audit, approval is required from the CFO and, if the value of those services is estimated to exceed \$10,000, then approval is also required from the Board.
- With respect to the internal audit function and coverage:
    - An annual internal audit plan will be determined by management based on thl's risk management framework as modified from time to time;
    - Management will determine and report to the Board on the resources to be deployed from internal and external sources;
    - The Committee will be responsible for obtaining confirmation as to the adequacy of the internal controls;
    - The Committee shall receive and review reports from completed audits and ensure that recommendations are agreed, including actions and timelines, with management;
    - The Committee shall review annually the effectiveness of the internal audit function; and
    - The Committee is responsible for ensuring that thl appropriate discloses the structure and role that its internal audit function performs, or if there is no internal audit function, that fact and the process that thl employs for evaluating and continually improving the effectiveness of its risk management and internal processes.

#### 4.3 Financial Risk Management and Control

The Committee shall be responsible for:

- Review whether management's approach to maintaining an effective internal control framework is sound and effective;
- Review whether management has in place relevant policies and procedures, and that these are periodically reviewed and updated;
- Ensuring *thl* maintains up to date risk registers for its business and appropriate business continuity/disaster recovery plans which are well understood throughout the organisation;
- Obtaining from the CEO and the CFO a written statement that:

- *thl*'s financial reports presenting a true and fair view, in all material respects, and *thl*'s financial condition and operational results are in accordance with applicable accounting standards (by the CEO and the CFO) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- *thl*'s risk management and internal compliance and control systems are operating efficiently and effectively in all material respects;
- Ensuring that *thl* maintains appropriate business continuity, material damage and liability insurance covers to ensure that the earnings of the business are well protected from adverse circumstances;
- Reviewing *thl*'s Code of Ethics, compliance with the law with respect to financial matters and other relevant legislation such as Occupational Health & Safety legislation and compliance with the NZX Corporate Governance Best Practice Code;
- Reviewing the frequency and significance of all transactions between *thl* and related parties and assessment of their propriety; and
- Reporting to the Sustainability and Risk Committee any risks identified which the Committee considers requires further consideration by the Sustainability and Risk Committee, and receiving and considering any reports received from the Sustainability and Risk Committee regarding any potential risks that may have an impact on financial position.

## 5. ACCESS AND AUTHORITY

- The Committee is authorised by the Board to investigate any activity within its terms of reference as set out in section 4 of this Charter.
- The Committee is authorised to seek any information it requires from any employee and all employees will be directed to co-operate with any request made by the Committee.
- The Committee is authorised by the Board to obtain, at the expense of *thl*, such outside legal or other independent professional advice, and to arrange for the attendance at meetings, at the expense of *thl*, of outside parties with relevant experience and expertise, as it considers necessary to carry out its responsibilities.

## 6. ACCOUNTABILITY AND REPORTING

- The Committee shall ensure that processes are in place and shall monitor those processes so that the Board is properly and regularly informed and updated on corporate financial matters.
- The Committee shall maintain direct lines of communication with the external auditors, the CEO, the CFO, and the internal auditors and with management generally.
- Management are required to immediately notify the Committee of any material breakdown in internal controls and any event of fraud or malpractice. Should a material breakdown in internal control be uncovered by the internal auditor or external auditor, management and the internal auditor or external auditor are immediately required to inform the Committee.

- Any reporting of a material breakdown in internal control and any event of fraud or malpractice must also be accompanied with management's proposed corrective actions.
- The Committee shall be provided with copies of all letters between the internal and external auditors and management.
- After each Committee meeting the Chairperson shall report the Committee's findings and recommendations to the Board.
- The minutes of all Committee meetings shall be circulated to members and the Board, the CFO and the external auditors.
- The Chairperson shall present an annual report to the Board summarising the Committee's activities during the year and any related significant results and findings.

## **7. REVIEW OF THE COMMITTEE AND CHARTER**

At least once a year the Committee will undertake a self-review and report on the effectiveness of the Committee to the full Board of Directors. The Board will review both this Charter and the Committee's performance against this Charter annually.

Membership of the Committee will be reviewed each year after the Annual Meeting and at other times as necessary.

Approved by the Tourism Holdings Limited Board of Directors effective from 31 May 2019.