

1. PURPOSE & OBJECTIVES OF THE COMMITTEE

- The Audit and Risk 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
 - Financial management
 - Risk Management to Protect the Group's assets
 - Risk management system;
 - Business policies and practices;
 - Internal control system;
 - Compliance with applicable laws, regulations, standards and best practice guidelines as they relate to financial disclosure.
 - Audit Coverage
 - Internal including internally sourced and outsourced
 - External

2. MEMBERSHIP OF THE COMMITTEE

- The Committee shall be comprised solely of non-executive directors of the Board, appointed by the Board.
- The number of members of the Committee shall include not less than three independent non-executive directors.
- The Chief Executive Officer (**CEO**) shall not be a member of the Committee.
- The Chair of the Committee shall have an accounting or financial background.
- The Board shall appoint a chairman of the Committee (**Chairman**) from the independent non-executive members of the Committee.
- The chairman of the Board shall not be the Chairman.

3. MEETINGS OF THE COMMITTEE

- Meetings shall be held not less than three times a year, having regard to the **thl's** half year and annual 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 and Risk Committee has oversight responsibility in three areas:

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

4.1 Financial Reporting

- 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 half yearly and annual 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

- Recommending the appointment and removal of the internal and the external auditors, their fees and the terms of their engagement.
- Direct communication with and unrestricted access to the external and internal auditors and accountants.
- Review of 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.
- Monitoring and reviewing the external and internal auditing practices.
- With respect to Services provided by the external auditor:
 - Ensuring the rotation of the external auditor or lead audit partner and peer review partner at least every five years with suitable succession planning.
 - The external auditors are authorised to provide the following types of services:
 - Statutory and other audits.
 - Treasury management

- The external auditors will not provide the following types of services:
 - 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.
 - Purchase and 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.
- Any other advisory services unrelated to the statutory audit required from our external auditors must be first approved by the CFO and if over \$10,000 be approved by the Board.
- Total non-audit fees to be regularly monitored by the Board.
- With respect to the internal audit function and coverage:
 - This will be determined by management based on the risk management framework as modified from time to time
 - Management will determine and report on the resources to be deployed from internal and external sources
 - Obtaining confirmation as to the adequacy of the internal controls
 - Receiving reports from completed audits and ensuring that recommendations are agreed, including actions and timelines, with management.
 - Reviewing annually the effectiveness of the internal audit function
- 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.

4.3 Risk Management and Control

- 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
- Monitoring the Risk Management Framework established by management which identifies strategic and operational risks facing *thl*, the likelihood (and potential consequences) of these risks materialising, *thl's* ability to mitigate the incidence and impact of these risks, and the cost of operating controls relative to the risks.
- 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 management written advice of significant changes to business risks (e.g. new or emerging risks, changes in risk assessments, etc.)

- Obtaining from the CEO and the CFO a written statement that:
 - The statement given to the Audit and Risk Committee in respect of **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.
- Review of the frequency and significance of all transactions between **thl** and related parties and assessment of their propriety.

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 that those processes are monitored 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 Chairman 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 Chairman 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 Audit 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 Audit and Risk committee will be reviewed each year after the annual meeting and at other times as necessary.

Ratified by the Tourism Holdings Limited Board of Directors on 24 June 2018.