

Audit, Risk and Sustainability Committee Charter

1.0 Purpose

The Audit, Risk and Sustainability Committee (ARSC) is a committee of the Board of the Company.

The principal purpose of the ARSC is to assist the Board with the proper and efficient discharge of its responsibilities to exercise due care, diligence and skill in relation to the oversight of:

- the integrity of all external financial and non-financial reporting
- the appointment and performance of external and internal auditors and consultants who provide assurance, external review and other similar services
- financial management and internal control systems
- accounting policy and practice
- risk management framework and the monitoring of compliance within that framework
- compliance with applicable laws, regulations, standards, codes of practice and the Listing Rules
- related party transactions, and
- all material environmental, social and governance (ESG) issues, including considering and identifying all such issues and assisting the Board in fully integrating ESG principles into the governance framework of the business.

The ARSC discharges its responsibilities by making recommendations and reporting to the Board on all material matters and issues requiring decisions.

The Company's purpose is to create connected communities.

2.0 Composition

Membership of the ARSC is determined by the Board. The ARSC will comprise a minimum of three Directors, with a majority comprising independent Directors (as defined by the Listing Rules). The ARSC will comprise solely of non-executive Directors. The Chair of the ARSC, who will be determined by the Board, will be an independent Director and cannot also be Chair of the Board.

At least one member who is an independent Director must have an accounting or financial background (as defined by the Listing Rules), and all other members should be financially literate and have an understanding of risk, compliance management activities and ESG issues, given the specialised functions of the ARSC.

Each member of the ARSC will be identified on the Company's website and in its annual report.

3.0 Meetings

3.1 Frequency

The ARSC will meet at least four times a year (having regard to the Company's financial and reporting cycle) or more frequently as circumstances require.

3.2 Quorum

A quorum is to be comprised of two members. No business may be transacted at a meeting of the ARSC unless a quorum is present. A written resolution in lieu of a formal meeting may be passed by either all of the members or all of the members other than one, in each case of the members entitled to vote on any matter before the ARSC.

3.3 Committee material

To enable appropriate review by members, ARSC papers will be sent to members approximately one week in advance of a scheduled meeting. In the case of an unscheduled meeting, ARSC papers may be sent to members less than one week in advance of the meeting where it is not reasonably practicable to send them one week in advance. The content, presentation and delivery of papers to members are to be provided according to guidelines agreed by the ARSC and as deemed necessary for its members to effectively discharge their roles and responsibilities. The Chair of the ARSC will approve the agenda prior to each meeting.

3.4 Participation

The ARSC may ask members of management and other advisors (including internal and external auditors) to attend a meeting and provide pertinent information as necessary. Employees should only attend ARSC meetings at the invitation of the ARSC to protect the independence of the ARSC from undue influence.

All non-member Directors may attend each ARSC meeting by standing invitation. Members may be present in person, or by direct electronic communication such as telephone or video link.

3.5 Minutes

A complete record of proceedings of all meetings will be kept. Minutes will include the key elements of debates, disclaimers or objections, decisions and the basis of decisions, action plans, matters arising and responsibilities for implementation and recommendations to the Board. Minutes will be maintained by the Head of Legal. Draft minutes will be provided to the Chair of the ARSC within 10 business days of each meeting. The Head of Legal will be responsible for the distribution of draft minutes to all Directors following approval by the Chair of the ARSC.

3.6 Reporting to the Board

The ARSC is accountable to the Board and the Chair of the ARSC shall report all material matters immediately to the Board and otherwise report on its activities through the circulation of its minutes, as well as formal and informal communications at the next available Board meeting.

4.0 Responsibilities

The responsibilities of the ARSC are:

4.1 External reporting

- Review and recommend to the Board for approval, the Company's external reports (including but not limited to annual and interim reports, and any nonfinancial reports, including the sustainability reports and climate statements). In carrying out this exercise, consider, monitor and review:
 - the integrity, truth, fairness and compliance with appropriate laws and regulations of the Company's external reports
 - all reports and findings of any external service provider (including any audit or other assurance provider) related to any external report (including but not limited to the financial and climate statements)
 - all representations from management related to any external report
 - management's preparation and fair presentation of the subject matter of any external report. This responsibility includes monitoring the establishment and maintenance of internal controls relevant to the preparation and presentation of the subject matter that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting and other policies and making estimates that are reasonable in the circumstances
 - the public releases of financial information and any information from or in relation to any of the Company's external reports in the media and market, including the adequacy of information for shareholders
 - the significant statements, estimates and judgements in the external reports by enquiring of management about the process used in making such statements, estimates and judgements
 - any ESG elements of the Company's external reports (including, for example, the annual and interim reports), and
 - review any ESG elements of the Company
- Notwithstanding anything to the contrary and for the avoidance of doubt:
 - the ARSC's role in respect of any external non-financial reporting is not to duplicate or supersede the role and responsibility of any other Board committee (where applicable and except as otherwise set out in this Charter) in respect of any such report but is limited to considering, monitoring and reviewing the processes and controls to verify and maintain the integrity, truth and fairness of the content of such report, as well as to ensure consistency and alignment across external reports, and
 - any external report of the Company that has been the subject of a review by a due diligence committee of the Board does not need to also be reviewed by the ARSC unless the Board has specifically requested such a review.

4.2 Tax governance

- Review and recommend to the Board the appointment, and removal, of the Company's tax advisor and their fees. To evaluate the performance of the Company's tax advisor.

- Review and recommend to the Board the tax strategy and tax control framework and any subsequent changes to those documents.
- Regularly review the tax strategy and the tax control framework, their implementation and where applicable updates to any of those documents.
- To ensure the tax control framework is independently tested on a regular basis and at least once every three years.
- Ensure effective systems, policies, procedures and resources are in place:
 - to achieve tax compliance
 - so that the Company's people who have tax responsibilities are regularly informed of any tax changes and changes to accounting policies which may affect the tax treatment
 - to identify significant transactions, for which external advice or tax authority rulings may be required
 - to manage tax risks, and
 - so that the Board is properly and regularly informed and updated on tax (including the tax strategy, tax control framework, material tax issues and risks and tax matters generally).

4.3 Risk and compliance management and internal controls

- Monitor the adequacy and effectiveness of the Company's:
 - risk management policy, risk management framework and related risk policies
 - internal control environment, framework and structure, business continuity framework (including crisis management and IT disaster, and recovery)
 - compliance policy and compliance framework, and
 - internal audit function.
- Review the risk management framework and related risk appetite and risk tolerances and recommend any changes to the Board for approval.
- Provide risk management oversight for all classes of risk e.g. strategic, financial, climate-related, operational and compliance.
- Review the compliance policy and framework and recommend any changes to the Board for approval.
- Establish and review the cyber security governance framework for the Company, review the risk appetite and strategy in relation to cyber security and recommend any changes to the Board for approval.
- Provide compliance management oversight regarding applicable laws, regulations, standards, codes of practice and the Listing Rules (excluding any items which are set out in the Charter for any Board committee as being the responsibility of that Board committee).
- Review the investigation and resolution of any incidents of fraud.
- Review and monitor the adequacy of the Company's corporate governance practices and Corporate Governance Statement and make recommendations to the Board for approval.
- Evaluate the adequacy of insurance coverage.

4.4 Audit (internal and external), assurance, external review and other similar services

- Review and recommend to the Board the appointment, and removal, of the internal and external auditors and any consultant to provide assurance, external review or other similar services, and their fees. The ARSC has the power to authorise the ARSC Chair to sign internal and external audit and assurance engagement letters for Board-approved audit/assurance appointments.
- Confirm and ensure the independence of the external auditors and any consultant to provide assurance services, including a review of non-audit services provided and related fees, in accordance with the Company's External Auditor Independence Policy.
- Review and recommend to the Board the annual internal audit plan and any subsequent changes to the plan.
- Regularly meet to monitor and review the internal and external audit and, where the ARSC considers it necessary to do so, assurance practices and reports, and report any material matters to the Board.
- Regularly meet separately and have direct communication with, and unrestricted access to, the internal and external auditors and, where the ARSC considers it necessary to do so, assurance providers, and establish a procedure for sustaining direct and unrestricted communication between the ARSC and the internal and external auditors and, where the ARSC considers it necessary to do so, assurance providers.
- Review and assess the performance of the internal and external auditors and, where the ARSC considers it necessary to do so, assurance providers.
- Ensure that the Key Audit Partner (as that term is defined in the Listing Rules) is changed at least every five years.
- Monitor management's execution of the recommendations included in the internal and external auditors' and any assurance provider's reports.

4.5 Financial management

- Assess the performance of financial management.
- Review accounting and financial management policies and recommend to the Board for approval any changes to accounting and financial management policies.
- Ensure processes are in place so that the Board is properly and regularly informed and updated on corporate financial matters and monitoring those processes.
- Oversee compliance with statutory responsibilities relating to financial management and other related requirements.
- Oversee compliance with contractual obligations and covenants in relation to financing arrangements.
- Review the propriety of all transactions between the Company and related parties and make an assessment of their propriety.

4.6 Environmental, Social & Governance (ESG)

- Understand material ESG issues relevant to the Company based on internal and external stakeholder engagement.
- Challenge the Company's approach and response to ESG issues, including climate-related issues.
- Oversee the implementation of the Company's ESG Policy and practices, ensuring they are consistent with and aligned to the Company's strategy and related policies and frameworks. Then on an ongoing basis monitor the adequacy and effectiveness of this policy.
- Review and recommend the Company's Sustainability strategy, strategic priorities, frameworks and initiatives to the Board for approval.
- Oversee management's submission of ESG information to external parties, such as GRESB, from time to time, which are made pursuant to the Board approved Sustainability strategy, frameworks and initiatives.
- Oversee compliance with statutory responsibilities relating to ESG, including any which relate to any of the Company's external reports, for example, any mandatory climate-related disclosures required by The Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 and including any requirements in respect of any data that informs such external reports (for example, the collection and assurance of greenhouse gas emissions data).
- Oversee compliance with any non-statutory responsibilities relating to ESG (including, for example, any ESG frameworks or other certifications which the Company may, from time to time, elect to comply with including any which relate to the Company's external reports such as the Company's sustainable debt framework.
- Oversee and monitor climate-related risk, including procedures for the identification, assessment, escalation and management of climate-related risks and opportunities.
- Review and monitor key trends, issues, regulatory matters in relation to ESG and report these to the Board.
- Contribute to the review of other key policies and documents to ensure that ESG issues have been fully considered.
- Review and monitor the Company's Transition Plan and report recommendations to the Board.
- Review, develop, implement and monitor the Company's decarbonisation strategy, including the associated risks and targets and report these to the Board.
- Oversee and monitor the procurement practices of the Company and recommend changes to the business to make the Company's procurement practices more sustainable.
- Monitor achievement of sustainability related metrics and targets and provide updates and recommendations to the Board.

4.7 General

- Supervise any special investigation when requested by the Board.
- Examine and report to the Board on any matters referred to the ARSC by the Board.

- Establish and review the schedule of annual activities of the ARSC.

5.0 Authority and access

The ARSC has the power to conduct or authorise investigations into any matters within the ARSC's scope of responsibilities. The ARSC is empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation. Such advice is to be co-ordinated by the Chair of the Board and all associated costs should be met by the Company.

The ARSC has a clear line of direct communication with management, the auditors (internal and external) and the Board. Any employee has access to the Chair of the ARSC at any time. The ARSC must meet with the external and internal auditor at least once bi-annually without management present.

6.0 ARSC performance review

The ARSC will regularly review the performance and effectiveness of the ARSC as a whole and report its findings to the Board, in accordance with procedures adopted by the ARSC from time to time for that purpose. The performance review process may include the engagement of an external consultant to facilitate the performance evaluation of the ARSC, if the ARSC determines such facilitation would be of value. Any recommended improvements or changes should be reflected in the ARSC Charter.

7.0 Review of charter

The ARSC Charter is to be reviewed at least every two years or immediately if there has been a change in the structure of the Company, to ensure it incorporates changes in best practice and legislation.

For definitions of all capitalised terms contained in this document, please refer to our 'Glossary', which can be found on the Company's website kp.co.nz/about-us/corporate-governance

Policy owner:	Chief Financial Officer
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Policy approver:	Board