

Audit Committee Charter

A. Board Resolution and Scope

Board Resolution - 30 March 1994

"The Board of MainPower New Zealand Limited (the "Board") hereby resolves to establish a Committee of the Board to be known as the Audit Committee (the "Audit Committee", the "Committee") whose primary function is to assist the Board in fulfilling its oversight responsibilities by reviewing the risk management process and financial information which will be provided to the shareholders and others, the systems of internal controls which management and the Board has established and the audit process of MainPower New Zealand Limited ("MainPower") and its subsidiaries ("Subsidiary" or "Subsidiaries" or "Group") as the context so requires."

The scope of the Audit Committee covers the financial affairs and external audit of MainPower and its Subsidiaries and therefore this Charter should be read in this context accordingly.

The Management of risk that is outside the scope of the Audit Committee is the responsibility of the Board.

B. Membership

The Audit Committee members and the Committee Chair shall be designated by the Board and may be removed by the Board at any time during their tenure.

Committee membership should be not less than three, all of whom will be non executive Directors.

At least one member of the Committee shall have financial expertise.

The Chair of the Board shall not be the Chair of the Committee.

Directors who are not members of the Audit Committee may attend Audit Committee meetings with the consent of the Chair of the Audit Committee.

The quorum of members necessary for the transaction of business shall be two.

The Board shall annually appoint the membership of the Audit Committee.

The Chief Executive will not be a member of the Committee but may be invited to attend its meetings.

The Audit Committee shall have unrestricted access to members of management, employees and all relevant information. The Committee may have in attendance such members of management as it considers necessary to provide appropriate information and explanations.

When dealing with the business of a Subsidiary, the Chair of the Subsidiary will, if not already a member of the Committee, be invited to be in attendance. This invitation may be extended to the Chief Executive Officer of the Subsidiary at the discretion of the Chair of that Subsidiary.

C. Meetings

The Committee Chair has the power to convene and conduct meetings of the Committee.

The Committee Chair will convene a meeting of the Audit Committee if so requested by a Committee member or external auditor.

Meetings shall be held at least three times a year. Meetings are to be held:

- at the planning stage of the audit;
- prior to the Board meeting approving the Annual Report and Financial Statements for the Group;
- before the Interim Financial Statements for the Group are issued;
- The non-executive directors shall, at any meeting of the Audit Committee, where the external auditors are present, meet with the external auditors, without the executive director and executives being present.

Minutes of all meetings shall be kept by the company and shall be circulated to all members of the Board.

Comprehensive papers and agenda will be provided to Audit Committee members before each meeting.

The most recent version of this Charter shall be available for all interested parties to access on the MainPower website.

D. Responsibilities

1. The Audit Committee has the power to consider any matters relating to the financial affairs of MainPower, its Subsidiaries and external audit that it determines to be desirable.

The Audit Committee will have oversight of compliance with statutory responsibilities relating to financial disclosure, including reviewing:

- The adequacy of financial statement disclosure;
- The nature and impact of any changes in accounting policies during the year;
- Accounting policies adopted in respect of major transactions;
- The reasons for unusual fluctuations in financial ratios or inconsistencies with industry trends;

Such oversight to specifically include a review of:

- Compliance with the Financial Reporting Act 1993;
- Compliance with Part 4 of the Commerce Act 1986 Electricity Information Disclosure Determination 2012.

2. Every organisation is exposed to risks as part of the business process. The acceptance of specific financial risks is often necessary to the meeting of corporate objectives. It is important that the directors and management are aware of the financial risks faced and make specific business decisions to address each risk.

The Audit Committee can monitor the identification and assessment of financial risks and the implementation and maintenance of policies and control procedures to give adequate protection against key risks by annually reviewing:

- Accounting Policies and procedures adopted by the company
- Financial Risk Management, in particular Treasury management policy
- Delegated authorities

- Appointment of external auditors

and by the instigation of external and internal reviews for areas deemed by the Audit Committee to be of significant risk to the organisation.

3. The Audit Committee shall make recommendations to the Board on the appointment, performance and rotation of the external auditors and audit fee;
4. The Audit Committee shall review and execute the Audit Engagement Letter as provided by the Auditors;
5. The Audit Committee shall review the annual external audit plan with the auditors by meeting with the external auditors at the planning stage of the audit to ensure emphasis is placed on areas where the Committee, management or auditors believe attention is necessary. Such a review to include:
 - the general outline of the extent and timing of the audit of MainPower and its Subsidiaries;
 - the general nature of the audit procedures to be performed, including coverage of various transactions and Statement of Financial Position and Financial Performance;
 - the extent of any planned reliance on the work of other auditors and the anticipated effect of this reliance on the audit;
 - any significant accounting and auditing problems that the auditors can foresee;
 - the impact on the financial statements of any new or proposed changes in accounting principles or regulatory requirements; and
 - the effect on the audit of significant data processing systems and the planned extent of review and testing of the system controls.

After reviewing the audit plan, the Audit Committee may ask the auditors to perform additional audit work. This additional work, while not necessary for the auditor to express an opinion on the financial statements, is directed to specific issues that the Committee from time to time believes of importance to the governance of the company.

6. The Audit Committee shall review Letter of Representation given to auditors by MainPower;
7. The Audit Committee shall review accounting policies adopted or any changes made or contemplated;
8. The Audit Committee shall review significant transactions which are not a normal part of the company's business;

9. The Audit Committee shall review Management’s representations with regard to the financial statements through the Letter of Representation and “Warrant of Fitness” prior to the approval by the Audit Committee of the financial statements;
10. The Audit Committee shall review the financial statements and information derived from the external audit, with the auditors prior to the approval by the Board or the board of a Subsidiary of the financial statements, where the following matters may be discussed:
 - the nature and resolution of any significant or unusual accounting and auditing problems encountered during the examination;
 - the nature of any adjustments, reclassifications or additional disclosures proposed by the auditors that are, or may become significant;
 - the auditor's observations on internal accounting controls presented in the management letter; and
 - significant changes to audit scope that arose during the audit.
11. The Audit Committee shall review published interim Financial Statements prior to their approval by the Board or the board of a Subsidiary in order to be satisfied that:
 - accounting standards have been followed and consistently applied;
 - fluctuations in financial statement balances, ratios and statistics are explained satisfactorily;
 - summarised interim financial information for external reporting purposes conforms with disclosure requirements;
 - seasonal or other variations in sales, costs of sales, or expenses are adequately disclosed; and
 - significant commitments and contingent liabilities are disclosed.
12. The Audit Committee shall review published Electricity Distribution Information Disclosure documentation as required by the Commerce Commission prior to its certification by the Board in order to be satisfied that:
 - the information has been prepared for the purposes of the regulatory requirements of the Electricity Distribution Information Disclosure Determination 2012 in all material respects;

- the information used in the preparation of the Electricity Distribution Information Disclosure documentation has been properly extracted from MainPower's financial and non-financial records; and
 - the information forecast provided in the Electricity Distribution Information Disclosure documentation is based upon objective and reasonable assumptions which align with MainPower's corporate vision and strategy.
13. The Audit Committee shall review the nature and scope of other professional services provided to the company by the external auditors and consider whether or not the auditor's independence is being compromised.
14. The Audit Committee shall undertake a post-project review of all major projects as determined by the Board, with such a review to include:
- identification of outcomes and benefits as established in the approved business case;
 - an overall assessment of the project and a measure of how closely the project met the company's and customer's needs and expectations;
 - the deliverables, including time frames and costs associated with the project;
 - the key accomplishments, what worked well and lessons learnt; and
 - opportunities for improvement or any innovations identified or developed.

In addition, the Audit Committee shall examine any other matters referred to it by the Board or the board of a Subsidiary.

E. Authority

The Audit Committee shall have the authority to seek any information it requires from any officer or employee of MainPower or a Subsidiary and such officers or employees shall be instructed by the Board or the board of the Subsidiary to respond to such enquiries.

The Audit Committee is authorised to take such independent professional advice as it considers necessary.

The Chair of the Audit Committee shall report the findings and recommendations of the Committee to the Board after each Committee meeting.

The Chair shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

A copy of the Chair's annual report will be forwarded to the MainPower Trust.

The minutes of all Committee meetings shall be made available to the external auditors upon request.

The Audit Committee shall have no executive powers with regard to its findings and recommendations.

F. Review of Committee

The Audit Committee shall undertake a review of its objectives and responsibilities on at least an annual basis and the results of such review will be made available to the Board.