

Audit and Risk Committee Charter – Z Energy Limited

INTRODUCTION

This Charter sets out the operating guidelines for the Audit and Risk Committee (“**Committee**”) of Z Energy Limited (“**Z Energy**”). The Committee assists the Board in overseeing all matters relating to enterprise risk management and the financial management, accounting, audit and reporting of Z Energy and its subsidiaries. This Charter applies in addition to the matters set out in Schedule 1 to the Board Charter.

ROLE AND PURPOSE

Board Committees are established to perform particular work on an ongoing basis. Within that mandate, the purpose of the Committee is to provide a specific governance focus on enterprise risks and the financial management, accounting, audit and reporting of Z Energy and its subsidiaries. Enterprise risks include all risks that could have such an impact as to compromise the achievement of Z Energy’s objectives.

The primary role of the Committee is to fulfil the responsibilities specified in this Charter, and in the course of doing so, assist the Board to carry out the following:

- Review and monitor the integrity of financial reports and statements;
- Review and oversee enterprise risk management, internal control and compliance systems. This includes the processes for identifying strategic risks facing Z Energy and the implementation of appropriate and adequate control, monitoring and reporting mechanisms;
- Review and monitor the quality, credibility and objectivity of the corporate reporting processes and accounting/treasury policies;
- Review and oversee the performance and independence of the Risk and Assurance Function and the external auditors;
- Provide an independent reporting line for the Risk and Assurance Manager; and
- Provide a formal forum for free and open communication between the Board, Risk and Assurance, the external auditors and management.

By undertaking these functions the Committee will assist Board members to meet their due diligence requirements with respect to enterprise risk management and financial reporting.

This Committee has an ongoing role and purpose in support of the Board’s governance of Z Energy. As such it can only be disestablished through a resolution of the full Board.

COMMITTEE MEMBERSHIP

In addition to the membership requirements specified in Schedule 1 to the Board Charter, the following specific requirements also apply to the Committee:

- The Board will appoint the Chair of the Committee and the Committee members;
- The Chair of the Committee will be an independent Director who is not the Chair of the Board;
- The Committee's membership will include four Directors and is confined to non-executive Directors;
- The Committee must have at least one member who has an accounting or financial background (although, where this member ceases to be a member of the Committee, it is acknowledged that for short periods the ARC may have no member with an accounting or financial background while a replacement is found). A member of the Committee will be deemed to have an adequate accounting or financial background if he or she:
 - Is a member of Chartered Accountants Australia and New Zealand , or has held a Chief Financial Officer position at a listed issuer for a period greater than 24 months;
 - Has successfully completed a course approved by NZX for Audit Committee Membership; or
 - Has the experience and/or qualifications deemed satisfactory by the Board.
- The quorum will be two Directors with one member of management in the role of Secretary. Meetings can be held through video or teleconferencing.

COMMITTEE PROCEDURE

In addition to the procedural requirements specified in Schedule 1 to the Board Charter, the following specific requirements also apply to the Committee:

- The Committee will meet to consider recommending that the Board adopt the half yearly and annual financial statements and related documentation currently, these meetings are held in May and November in each year;
- The Chair will meet with Management, the Risk and Assurance Manager and the external auditors (either together or separately) as the Chair deems appropriate;
- The Committee will meet the Risk and Assurance Manager and the external auditors (either together or separately) without Management present as a standing agenda item at each half yearly and annual meeting, and at other meetings if requested by either party;

- The Chief Executive, Chief Financial Officer, Risk and Assurance Manager, Treasurer, and Financial Controller will attend all Committee meetings. Other members of management may attend as required;
- The Risk and Assurance Manager will be Secretary to the Committee, or any other Z Energy employee recommended by the Chief Financial Officer and appointed by the Chair;
- The Secretary will prepare the agenda in consultation with the Chair;
- Committee papers will be available to Directors at least five working days before the Committee meeting (unless agreed with the Chair);
- The Secretary will take and maintain accurate minutes of the Committee's meetings, and will provide draft minutes to the Chair within five working days after the meeting;
- Approved minutes of Committee meetings will be included in the following Board meeting's papers; and
- Approved minutes will be available to Directors, the Chief Executive, Chief Financial Officer, Company Secretary, Risk and Assurance Manager, Treasurer, Financial Controller and other members of management as appropriate.

RESPONSIBILITIES AND DUTIES

Schedule 1 to this Charter sets out the responsibilities and duties delegated to the Committee by the Board. The purpose of this delegation is to assist the Board to fulfil its responsibilities and objectives in respect of all matters related to enterprise risk management and financial reporting for Z Energy and to enable the Committee to make recommendations to inform Board decision making.

The responsibilities and duties delegated to the Committee by the Board are also intended to assist Board members in taking reasonable steps to acquire and maintain up-to-date knowledge of enterprise risk management and financial reporting matters that are relevant to Z Energy.

It is not the responsibility of the Committee to conduct accounting or auditing reviews or procedures. Accordingly:

- Management is responsible for the preparation, presentation and integrity of the financial statements;
- Management is responsible for implementing and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations;
- Z Energy's external auditors are responsible for planning and carrying out each external audit and review, in accordance with applicable auditing and review standards; and

- Z Energy's external auditors are accountable to shareholders (through the Committee and the Board).

The Board retain overall responsibility for enterprise risk management and financial reporting, and has absolute direction to accept or disregard recommendations or actions of the Committee.

INDUCTION AND CONTINUOUS DEVELOPMENT

In addition to the requirements set out in the Board Charter, the Committee will ensure it, and the full Board, are sufficiently informed about the requirements for modern good practice enterprise risk management and financial reporting, and about Z Energy and its operations and associated risks to know whether the enterprise risk management and financial reporting is fit-for-purpose and being effectively implemented.

The Committee will be provided with a director development programme for the induction of new Board members and the continuous development of existing Board members. In addition, the Committee may obtain further information from external specialists if and as required.

POWERS AND AUTHORITY

In addition to the powers and authorities specified in Schedule 1 to the Board Charter, the Committee is specifically authorised by the Board to perform activities within the scope of its Charter. In summary the Committee has power and authority to:

- Investigate any activity within its Charter and any matters requested by the Board;
- Resolve any disagreements between management and the external auditor reporting financial reporting;
- Review and approve policies in respect of all matters related to enterprise risk management and financial reporting with the exception of treasury policies;
- Review and recommend changes in the Treasury policy to the Board;
- Review and approve any Director certificates required pursuant to financing arrangements provided that two members carry out such execution;
- Recommend for shareholder approval candidates to act as the external auditor - but only if they are appropriately qualified and meet the independence criteria set out in the External Audit Independence Policy;
- Appoint the external auditor (subject to annual shareholder approval) and terminate the external auditor's appointment as appropriate;
- Approve the external auditor's fees (and the Board will seek shareholder approval to set the fee), terms of engagement, external audit work plan and annual independence statement; and

- Approve the hiring of any former partner or audit manager, of the external auditor, in accordance with the External Audit Independence Policy.

The Chair is specifically authorised by the Board to perform activities on behalf of the Committee. In summary the Chair has the power and authority to:

- Pre-approve all audit and assurance services provided by the external auditor;
- Pre-approve any non-audit or non-assurance services provided by the external auditor in accordance with the External Audit Independence Policy;
- Pre-approve all audit and assurance services provided by firms other than the external auditor in accordance with the External Audit Independence Policy;
- Review and approve the performance objectives and measures recommended by the Chief Financial Officer for the Risk and Assurance Manager; and
- Review any Risk and Assurance manager appointment made by the Chief Financial Officer.

From time to time the Committee may require external specialist advice. It is authorised to engage suitable consultants and subject matter experts to provide totally objective and neutral advice. Decisions to do this and the supporting rationale will be captured in minutes and reported back to the Board meeting.

OWNERSHIP AND REVIEW

Approver: Z Energy Board

Reviewer: Audit and Risk Committee

Ownership: Risk and Assurance Manager

Review: Annual or as needed

SCHEDULE 1: COMMITTEE RESPONSIBILITIES AND DUTIES

#	Responsibility	Timing
Financial Reporting¹		
1	Reviewing and discussing the external financial reporting with management and the external auditor, including whether the reporting is consistent with the Committee members' information and knowledge and whether it is adequate for shareholder needs.	Before half year and annual reporting
2	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 judgments; • 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; • Feedback from external market participants, including shareholders as appropriate • Compliance with applicable New Zealand, Australian and international accounting standards; New Zealand and Australian Exchange requirements (including relevant listing rules); and legislative requirements including the Companies Act (NZ), Financial Reporting Act (NZ), and Corporations Law (Australia); and • The annual and half year back to back management representation letter by the Chief Executive ("CE") and the Chief Financial Officer ("CFO") to the Board that: <ul style="list-style-type: none"> – Z Energy's financial reports represent a true and fair view in all material respects of Z Energy's financial condition and operational results and are in accordance with relevant accounting standards; and – The above statement has been made based on a sound system of risk management and internal control and compliance which implements the policies adopted by the Board. 	As above
3	Obtain regular updates from management and the General Counsel about compliance matters that may have a material impact on external financial reporting	As above

¹ In this Charter, "financial reporting" means the half yearly and annual financial statements, management commentary, and the reports of the external auditor on the findings of their external audits/reviews.

4	Meeting with the external auditors and the Risk and Assurance Manager to discuss the practices and issues surrounding the external financial reporting.	As above
5	Reporting the results of the review to the Board and recommending, if appropriate, the Board approve external financial reporting and related documentation.	As above
6	Discussing in a general manner the content of management commentary, press releases, market disclosures and analyst presentations given in respect of any half yearly and annual financial reporting (including financial information included within the annual report)	As above
7	Considering the effectiveness of the system for monitoring compliance with laws, regulations, internal policies and management's investigation and follow-up of fraudulent acts or non-compliance.	Periodically
Internal Control		
8	Review the Charter, strategy, plans and activities for the Risk and Assurance Function	Periodically, as required
9	Review the Risk and Assurance Manager's reports on significant findings and recommendations on internal control and monitoring management's response to these findings and recommendations	As above
10	Review the adequacy of resource and governance arrangements of the Risk and Assurance Function	As above
11	Reviewing the Risk & Assurance Manager appointment.	As above
12	Considering the adequacy of internal controls after consultation with the external auditors, Risk and Assurance Function and management (who should report at least annually to the Committee).	As above
13	Evaluating Z Energy's potential exposure to fraud and disclosing to the external auditor any fraud that involves employees who have a significant role in Z Energy's internal controls.	As above
14	Reviewing the back to back management representation letter by the CE and the CFO to the Board that Z Energy's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.	Before half year and annual reporting
Risk Management		
15	Reviewing and discussing the enterprise risks of Z Energy and whether the enterprise risk framework and internal controls effectively identify areas of potential, material risk.	Periodically, usually six monthly

		Annual review of the risk appetite and enterprise risks
16	Ensuring that Management has established an enterprise risk management framework in line with the Board's risk appetite which includes policies and procedures to effectively identify, treat and monitor enterprise risks, and regularly reporting to the Board.	As above
17	Assessing the effectiveness of, and monitoring compliance with, the enterprise risk management framework.	Periodically (at least annually)
18	Reviewing treasury policy and related information.	Periodically, usually six monthly
19	Review Z Energy's insurance program at least annually having regard to insurable risks associated with Z Energy's operations. This includes reviewing insurance policies and assessing whether any policy amendments are required.	Periodically, usually annually
20	Prepare any reports or statements required by law or listing rules, or requested by the Board, such as Z Energy's Corporate Governance Statement required under ASX listing rules	Periodically, as required
21	Regularly monitoring and reviewing the Risk and Assurance work plan, regular reports from Risk and assurance, Management responses and considering the level and standard of controls.	Periodically, usually six monthly
External Auditor		
22	<p>Review at least annually, a report from the external auditor which describes:</p> <ul style="list-style-type: none"> • Z Energy's internal control procedures relating to external financial reporting; • Issues from the most recent internal control review / peer review of the external auditor and any steps taken to deal with such issues; • All relationships between the external auditor and Z Energy; • "critical accounting policies" used by Z Energy; • 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 should include confirmation that audit partners are subject to five yearly rotation. 	Periodically, usually annually
23	Review the external auditor's half-yearly statement of non-audit fees and monitor the ratio of non-audit fees to audit fees;	Periodically, usually six monthly

24	Assessing and confirming to the Board the independence of the external auditor after consideration of the External Audit Independence Policy criteria.	Periodically (at least annually)
25	Ensuring that the lead audit engagement and concurring audit partners are rotated every five years.	Periodically, as required
Complaints		
26	Ensuring the confidential and anonymous receipt, retention and treatment of complaints regarding accounting controls or auditing matters by use of the General Counsel and Company Secretary and or whistle blowing mechanisms.	At all times when complaint information received
27	Investigating matters under its authority	Periodically, as required