

Audit & Risk Committee Charter

Fisher & Paykel Healthcare Corporation Limited

Establishment of the Audit & Risk Committee

This Charter sets out the basis on which the Board has established an Audit & Risk Committee (the “Committee”) pursuant to the authority contained in, and subject to the provisions of, the Constitution.

Objectives

The objective and purpose of the Audit & Risk Committee is to assist the Board in fulfilling its responsibilities relating to the Company’s risk management and internal control framework, its financial reporting and auditing processes and activities.

Authority, Duties and Responsibilities

In addition to any other authorities, duties and responsibilities which have been assigned to it from time to time by the Board, the Audit & Risk Committee has the authority, duty and responsibility to:

1. monitor the risk management framework to ensure the Company continues to have an appropriate and effective framework, mechanisms and internal controls in place to identify and manage material business risks;
2. review and recommend to the Board the adoption of the Company’s financial reports to external parties;
3. monitor and oversee the Company’s relationship with its external auditors; and
4. provide an open avenue of communication among the external auditors, financial and senior management, and the Board.

To fulfil its responsibilities and duties, the Audit & Risk Committee shall:

Risk Management and Internal Control Framework

1. Review and monitor the Company’s risk management framework to ensure that the Company has in place mechanisms and internal controls to identify and manage areas of material business risk, excluding any risks related to the Company’s quality and regulatory functions.

Given the importance of the product quality and regulatory functions to the Company’s continued ability to design, develop, manufacture, market and sell products, the Board has determined that any risks related to the quality and regulatory functions fall within the oversight responsibilities of the Quality, Safety and Regulatory Committee, and do not fall within the responsibilities and duties of the Audit & Risk Committee. The oversight of the Company’s health and safety risk management also falls within the oversight responsibilities of the Quality, Safety and Regulatory Committee. Accordingly, any references in this Charter to risk matters expressly excludes any risks related to the Company’s product quality and regulatory functions and health and safety functions.

2. Review and monitor the Company’s environmental and social risk management framework and record of performance on these matters, along with any proposed actions based on the record of performance.

3. Ensure that processes are in place so that the Board is properly and regularly informed and updated on corporate, financial, operational, organisational, environmental, social and other risk matters (including information on any material business risk issues raised by senior management and whether the material business risks are being managed effectively).
4. Review and monitor the policies and procedures with respect to material business risks, including financial and accounting controls.
5. Review and recommend to the Board the approval of reporting to shareholders and other external stakeholders regarding sustainability, corporate social responsibility and environmental activities.
6. Review and monitor the Company’s insurance program in conjunction with management and recommend changes where deemed appropriate.

Financial Reporting

7. Review and discuss with management and the external auditors the Company’s annual audited financial statements and the interim financial statements, prior to publicly releasing earnings reports to the applicable securities regulatory authorities.
8. Review and consider the external auditors’ report(s) on the Company’s annual and interim financial statements.
9. Review and consider all significant judgements made by management in the preparation of the financial statements.
10. Consider the external auditors’ judgements about the quality and appropriateness of the Company’s accounting principles as applied and significant judgements affecting its financial reporting.
11. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
12. Require the Chief Executive Officer and Chief Financial Officer to state in writing to the Board that, to the best of their knowledge:
 - a. the Company’s financial reports present a true and fair view, in all material respects, of the Company’s financial condition and operational results and are in accordance with relevant accounting standards; and
 - b. those reports are founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.
13. Review financial reports and advise all Directors whether they comply with the appropriate laws and regulations.

Auditing Processes and Activities

14. Monitor and review the external and internal auditing practices.

15. Review and recommend to the Board the appointment and removal of external auditors.
16. Establish guidelines for the selection and appointment of the Company's external auditors. Ensure that the external auditor or lead audit partner is changed at least once every five years.
17. Approve the external auditors' annual engagement, fee, scope and timing of their audit of the Company's financial statements.
18. Ensure that the ability of the external auditors to carry out their statutory role is not impaired, or could reasonably be perceived to be impaired.
19. Actively discuss with the Company's external auditors any disclosed relationships or services that may impact the objectivity and independence of the auditors and recommend to the Board any appropriate action to satisfy itself of the auditors' independence. The Committee shall satisfy itself that the provision of non-audit services has not compromised the auditor's independence.
20. Periodically discuss with the external auditors out of the presence of management:
 - a. the Company's internal control systems and processes;
 - b. the integrity of the Company's financial statements and financial reporting processes;
 - c. their perception of the Company's financial and accounting personnel;
 - d. any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information; and
 - e. any other matters.
21. Review separately with management the performance of the external auditor including any significant difficulties encountered during the course of the audit.
22. Review and approve the Annual Internal Audit Plan.
23. Review all Internal Audit reports and ensure management implement agreed changes to controls or implementation of controls.
24. Recommend to the Board the appointment and/or dismissal of any chief risk and/or internal audit executive, if required.
25. Review group tax exposures and meet with a member of Group Tax at least twice a year.

Other

26. Consider and recommend to the Board, if appropriate, major changes to the Company's financial reporting, auditing and accounting principles and practices as suggested by the external auditors or management.
27. Review with the external auditors and management the extent to which changes or improvements in financial or accounting practices, as approved by the Audit & Risk Committee, have been implemented.
28. Review of Delegated Financial Authorities at least every two years;
29. Perform any other activities consistent with this Charter, the Company's constitution and applicable law, regulation or listing rule as the Audit & Risk Committee or the Board deems necessary or appropriate.
30. Review and monitor communication, including the findings of any examinations, with financial regulators.
31. Subject to the requirements of the Company's Market Disclosure Policy, which regulates the Company's processes for managing its continuous disclosure obligations, the Chief Financial Officer has the duty and responsibility to draw to the Committee's and the Board's attention any material adverse matters which relate to the financial position of the Company, any material breakdowns in internal controls and any material events of fraud or malpractice once evidence of such events is known.

Audit & Risk Committee Composition

The Audit & Risk Committee shall be comprised of at least three members each of whom will be appointed by the Board.

The Audit & Risk Committee shall be comprised solely of "non-executive Directors", a majority of whom shall be Independent Directors². All members of the Committee shall be financially literate.

At least one member of the Audit & Risk Committee shall have past employment experience in finance or accounting or have any other comparable experience and/or qualifications deemed satisfactory by the Board which results in the individual's financial sophistication (including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities).

The Board shall appoint one of the members of the Audit & Risk Committee, who is an Independent Director, but not the Board's Chairperson, to be the Chairperson of the Audit & Risk Committee. In that person's absence, any member may chair a meeting of the Audit & Risk Committee.

The Audit & Risk Committee may, if it considers it appropriate, appoint a secretary.

Meetings and procedure

The Audit & Risk Committee will meet four times a year or more frequently if required. A quorum for a meeting of the Audit & Risk Committee is two members.

The Audit & Risk Committee may invite such other persons, including the external auditors and other external experts, to attend their meetings as they consider appropriate and determine the procedures under which this occurs. The Chief Financial Officer, the Chief Executive Officer and the Company Secretary will normally be invited to attend such meetings.

The Audit & Risk Committee shall ensure that the minutes of its meetings are kept and provided to the Board in a timely manner.

The dates, times and venues of each meeting of the Audit & Risk Committee will be notified by the Company to all members as far in advance as possible. Supporting papers shall also be sent to members as far in advance as possible.

The proceedings of the Audit & Risk Committee will be governed by the provisions of the Constitution that govern meetings of Directors, in so far as they are applicable.

Consultation

The Audit & Risk Committee shall have unrestricted access to executive management, external and internal auditors (with or without management present), all employees, company records, financial or legal advisors and external consultants or specialists.

Reporting

The Chairperson of the Audit & Risk Committee shall report significant findings and recommendations of the Committee to the Board following each Committee meeting.

An annual report will be prepared and provided to the Board summarising the activities of the Audit & Risk Committee during the previous 12 months.

Review

Every two years, the Audit & Risk Committee shall undertake the following review:

1. an evaluation of the performance of the Committee against the objectives set out in this Charter; and
2. a review of the terms of this Charter, including the objectives, duties and responsibilities of the Audit & Risk Committee, and shall recommend to the Board any suggested changes to the objectives, duties and responsibilities of the Committee.

Last approved by the Board on 27 May 2020.

¹ Non-executive Directors are Directors who are not also members of the executive management.

² Independent Directors are as defined in the NZX Listing Rules