

# Just Water International Ltd

## Audit Committee Charter

### **1 Establishment of the audit committee**

- 1.1 This charter provides Terms of Reference and sets out the basis on which the board of Just Water International Ltd (including its subsidiaries, jointly called herein “the Company”) has established an audit committee pursuant to the authority contained in, and subject to the provisions of, clause 34.3 of the Constitution, the requirements of the NZX and the Principles of Corporate Governance by the Securities Commission.

### **2 Committee Objectives and Role**

- 2.1 The committee’s objective is to assist the board in discharging its responsibilities relative to financial reporting and regulatory conformance.
- 2.2 The audit committee’s role includes a particular focus on the qualitative aspects of financial reporting to shareholders and on company processes for the management of business/financial risk and for compliance with significant applicable legal, ethical and regulatory requirements.
- 2.3 The role also includes coordination with other board committees and maintenance of strong, positive working relationships with management, external and internal auditors, counsel and other committee advisors.

### **3 Committee Membership**

- 3.1 The committee shall consist of:
  - 3.1.1 at least two members
  - 3.1.2 all of whom shall be non-executive board members
  - 3.1.3 if possible all, or at least 50% of members, shall be independent.

- 3.2 Committee members shall have:
- 3.2.1 Some knowledge of the primary industries in which the Company operates;
  - 3.2.2 the ability to read and understand fundamental financial statements, including a company's balance sheet, income statement, statement of cash flows and key performance indicators; and
  - 3.2.3 awareness of the role of external and internal auditors;
  - 3.2.4 awareness of reporting standards;
  - 3.2.5 the ability to understand key financial risks and related controls and control processes.
- 3.3 The committee shall have access to its own counsel and other advisors at the committee's sole discretion.
- 3.4 At least one member shall be literate in business and financial reporting and control, including knowledge of the regulatory requirements, and should have past employment experience in finance or accounting or other comparable experience or background.
- 3.5 Committee appointments shall be made by the board.
- 3.6 Committee membership shall be approved annually by the board.
- 3.7 A committee member will remain unless a member resigns or is removed by the board.
- 3.8 The committee chairperson shall be selected by the board.

#### **4 Committee Operating Principles**

The committee shall fulfil its responsibilities within the context of the following overriding principles:

- 4.1 **Communications and Reporting Procedures**
- 4.1.1 The chair and others on the committee shall, to the extent appropriate, maintain direct lines of communication and an open avenue of contact throughout the year with senior management, other committee chairs and other key committee advisors (external and internal auditors if any), as applicable, to strengthen the committee's knowledge of relevant current and prospective business issues.

- 4.1.2 The CEO and CFO shall be responsible for drawing to the committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls, and any material event of fraud or malpractice.
  - 4.1.3 The committee shall be provided with copies of all letters between the external auditors and management.
  - 4.1.4 After each committee meeting the chair shall report the committee's findings and recommendations to the board.
  - 4.1.5 The minutes of all committee meetings shall be circulated to members of the board, the CEO and CFO, the external auditors and to such other person as the board directs.
- 4.2 Education/Orientation**
- 4.2.1 The committee, with management, shall develop and participate in a process for review of important financial and operating topics that present potential significant risk to the Company. Additionally, individual committee members are encouraged to participate in relevant and appropriate self-study education to ensure understanding of the business and environment in which the Company operates.
- 4.3 Annual Plan**
- 4.3.1 The committee, with input from management and other key committee advisors, shall develop an annual plan responsive to the "primary committee responsibilities" detailed herein. The annual plan shall be reviewed and approved by the full board.
- 4.4 Meeting Agenda**
- 4.4.1 Committee meeting agendas shall be the responsibility of the committee chair or nominee, with input from committee members. It is expected that the chair would also ask for management and key committee advisors, and perhaps others, to participate in this process.

#### **4.5 Expectations and Information Needs**

4.5.1 The committee shall communicate committee expectations and the nature, timing and extent of committee information needs to management, internal auditors if any and external parties, including external auditors. Written materials, including key performance indicators and measures related to key business and financial risks, shall be received from management, auditors and others at least 3 working days in advance of meeting dates. Meeting conduct will assume committee members have reviewed written materials in sufficient depth to participate in committee/board dialogue.

#### **4.6 External Resources**

4.6.1 The committee shall be authorized to access internal and external resources as the committee requires to carry out its responsibilities.

#### **4.7 Meeting Attendees**

4.7.1 The committee shall request members of management, external legal experts, internal and external auditors, as applicable, to participate in committee meetings, as necessary, to carry out the committee's responsibilities.

4.7.2 Periodically and at least annually, the committee shall meet in private session with only the committee members.

4.7.3 It shall be understood that either internal or external auditors, or external legal experts, may, at any time, request a meeting with the audit committee or committee chair with or without management's attendance.

4.7.4 In any case, the committee shall meet in executive session separately with internal and external auditors, at least annually.

4.7.5 All directors shall be entitled to attend meetings provided however that executive directors shall not be entitled to attend those meetings or parts of meetings which the committee chooses to hold without any company executives present.

#### **4.8 Meeting Frequency and procedure**

4.8.1 The committee shall meet at least twice a year.

4.8.2 Additional meetings shall be scheduled as considered necessary by the committee or chair.

4.8.3 Meetings may be held in the same manner as is permitted for meetings of the board.

4.8.4 A quorum shall be two members.

4.8.5 The act of a quorum at any meeting is the act of the committee.

#### **4.9 Reporting to the Board of Directors**

4.9.1 The committee, through the committee chair or nominee, shall report periodically, as deemed necessary, but at least semi-annually, to the full board. In addition, summarized minutes from committee meetings, separately identifying monitoring activities from approvals, shall be available to each board member for the subsequent board of director's meeting.

#### **4.10 Self-Assessment**

4.10.1 The committee shall review, discuss and assess its own performance as well as its role and responsibilities, seeking input from senior management, the full board and others. Changes in role and/or responsibilities, if any, shall be recommended to the full board for approval.

### **5 Authority**

5.1 The committee is authorised by the board to investigate any activity within its terms of reference. It 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.

### **6 Committee Responsibilities**

#### **6.1 Financial Reporting**

- 6.1.1 Review and assess the annual and interim financial statements before they are released to the public or filed.
- 6.1.2 Review and assess the key financial statement issues and risks, their impact or potential effect on reported financial information, the processes used by management to address such matters, related auditors' views, and the basis for audit conclusions.
- 6.1.3 Approve changes in important accounting principles and the application thereof in both interim and annual financial reports.
- 6.1.4 Advise financial management and the external auditors that they are expected to provide a timely analysis of significant current financial reporting issues and practices.

## **6.2 Risks and Controls**

- 6.2.1 Review and assess the Company's financial risk management process, including the adequacy of the overall control environment and controls in selected areas representing significant risk.
- 6.2.2 Review and assess the Company's system of internal controls for detecting accounting and financial reporting errors, fraud and defalcations, legal violations, and non-compliance with the corporate code of conduct. In that regard, review the related findings and recommendations of the external and internal auditors, together with management's responses.
- 6.2.3 Discuss with management policies and programmes in respect of financial risk management and financial risk assessment.
- 6.2.4 Review with legal counsel any regulatory matters that may have a material impact on the financial statements.
- 6.2.5 Review the results of the annual audits of directors' and officers' expense accounts and management perquisites prepared by the internal auditors.

## **6.3 External and Internal Auditors**

- 6.3.1 Recommend the selection of the external auditors for approval by the board of directors.
- 6.3.2 Instruct the external auditors that they are responsible to the board of directors and the audit committee as representatives of the shareholders. In that regard, confirm that the external auditors will report all relevant issues to the committee in response to agreed-upon expectations.
- 6.3.3 Approve, in advance, all auditing and non-auditing services provided by the Company's independent auditors.
- 6.3.4 Review the performance and compensation of the external and internal auditors.
- 6.3.5 Obtain a formal written statement from the external auditors on their independence.
- 6.3.6 Discuss with the auditors any relationships or non-audit services that may affect their objectivity or independence.
- 6.3.7 Consider, in consultation with the external and internal auditors, their audit scopes and plans to ensure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.

- 6.3.8 Review and approve requests for any consulting services to be performed by the external auditors, and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter.
  - 6.3.9 Review with management and the external auditors the results of the annual audits and related comments in consultation with other committees as deemed appropriate, including any difficulties or disputes with management, any significant changes in the audit plans, the rationale behind adoptions and changes in accounting principles, and accounting estimates requiring significant judgments.
  - 6.3.10 Provide a medium for the external auditors to discuss with the audit committee their judgments about the quality, not just the acceptability, of accounting principles and financial disclosure practices used or proposed to be adopted by the Company.
  - 6.3.11 Approve changes in the directors of the internal audit function, if any.
  - 6.3.12 Instruct the internal auditors, if any, that they are responsible to the board of directors through the committee.
  - 6.3.13 Review with the internal auditors, if any, any changes in the scope of their plans.
  - 6.3.14 Review with the internal auditors, if any, the results of their monitoring of compliance with the code of conduct.
  - 6.3.15 Oversee the maintenance of the Company's internal audit function, if any, which reports directly to the audit committee as well as to management.
  - 6.3.16 Set clear hiring policies for employees or former employees of the independent auditors.
- 6.4 Other**
- 6.4.1 Review and update the committee's charter.
  - 6.4.2 Review and update the Company's code of conduct.
  - 6.4.3 Review and approve disclosed significant conflicts of interest and disclosed related party transactions.
  - 6.4.4 Conduct or authorize investigations into any matters within the committee's scope of responsibilities.
  - 6.4.5 The committee is empowered to retain independent counsel and other professionals to assist in conducting any investigation.
  - 6.4.6 Establish procedures for receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters.

- 6.4.7 Establish procedures for confidential, anonymous submission of concerns in relation to questionable accounting and auditing matters by employees of the Company, including a whistle blowing scheme.
- 6.4.8 Consider any other matters relating to the overseeing responsibilities of the committee, as deemed advisable or necessary by Company management, the committee or the board.

A handwritten signature in blue ink, appearing to be "Ian Malcolm", written over a horizontal line.

Ian Malcolm (Chair – Audit Committee)