

# AUDIT AND RISK COMMITTEE CHARTER



## Objectives

1. The objectives of the Audit and Risk Committee (“the Committee”) are to assist the Board in performing its responsibilities, with particular reference to financial matters and non-financial risk. Specifically, to review:
  - a. the financial reporting processes, the system of internal control and the audit process, and
  - b. process for identifying and managing risk, and for monitoring compliance with statutes and its own policies.

## Structure and Composition

2. The Committee must have a minimum of three members of which three must be non-executive directors of Medical Assurance Society New Zealand Limited (“MAS Parent”). At least one member of the Committee must be a Practitioner Trustee of the Medical Assurance Society Members’ Trust.
3. Generally, the Chief Executive Officer, the Chief Finance & Risk Officer and the Head of Internal Assurance will be invited to attend meetings. Other MAS staff can be invited to attend Committee meetings as the Committee considers appropriate.
4. The Chair of the Board must not be the Chair of the Committee.
5. The Committee must have at least one member who is a financial expert. A financial expert is someone who has all of the following attributes:
  - a. an understanding of generally accepted accounting principles and financial statements
  - b. the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves
  - c. experience preparing, auditing, analysing or evaluating financial statements, or experience of actively supervising one or more persons engaged in such activities, and
  - d. an understanding of audit committee functions.
6. The Board of MAS has the power to appoint and remove members of the Committee.
7. Any Board member who is not a Committee Member has a standing invite to attend the Committee’s meetings as an observer.

## Authority

8. The Committee performs the Functions of the Committee outlined in this charter for all MAS Group entities (“MAS”), including:
  - a. MAS Parent
  - b. Subsidiaries of MAS Parent
  - c. Schemes and Funds that are managed by MAS Group entities.
9. The Committee performs functions for the MAS Foundation as requested by the MAS Foundation.
10. Committee Members can liaise directly with MAS staff to obtain any information required within the Objectives and Functions of the Committee.

## External Auditors

11. The Committee shall meet the external auditors at least twice a year, and for at least part of that meeting, management shall not be present.
12. The external auditors will have unrestricted access to the Chair of the Committee, and any director or trustee.

## Functions

13. The Committee is an advisory committee to the Board. It is not a subcommittee of the Board. Its role is to review and make recommendations to the Board on the areas outlined below. The Committee has no delegated authority of the Board, unless the Board expressly provides otherwise. The functions of the Committee will include:

## External Reporting

14. Considering, when conducting a review and recommendation of half year and full year reporting and related financial, solvency and regulatory declarations:
  - a. changes in accounting policy and practice.
  - b. any significant accounting estimates and judgements, including those related to greenhouse gas (GHG) emissions of climate-reporting entities (CREs).
  - c. accounting implications of new and significant transactions.
  - d. tax and financial risks.
  - e. management practices and any significant disagreements between management and the external auditors.
  - f. quality of underlying data including associated uncertainties, limitations and reporting gaps for GHG emissions of CREs.
  - g. compliance with applicable New Zealand standards, and legislative requirements.
15. Meeting with the external auditors to discuss the practices and issues surrounding external reporting.

## Sustainability and Climate Change

16. Considering climate-related risks and opportunities in undertaking the Committee's functions.
17. Monitoring progress against sustainability targets.

## External Audit Services

18. Recommending for Board approval candidates to act as external auditor.
19. Appointing the external auditor, subject to Board approval annually confirming the appointment of the external auditor, and terminating the auditor's appointment as appropriate.
20. Pre-approving all audit services provided by the external auditor.
21. Reviewing, at least yearly, all non-audit services provided by the external auditor in accordance with the External Audit Independence Policy.
22. Establishing the external auditor's fees, terms of engagement, and external audit work plan.
23. Ensuring that the audit partner is rotated every five years.

## Internal Assurance Services

24. Assess the adequacy and approve the internal assurance plan, monitor progress against the plan and review the timeliness of managements response to internal assurance recommendations.
25. Regularly receive and consider internal assurance reports.

26. Review and monitor the effectiveness of the internal assurance function.
27. The chair of the Committee and the Chair of the MAS Board shall meet quarterly with the Head of Internal Assurance without other management personnel being present.

### Actuarial

28. Considering and endorsing the appointment, and overseeing the effectiveness of the Appointed Actuary.
29. Receive and consider actuarial valuation reports.
30. The Committee shall meet with the Appointed Actuary at least once a year, and for at least part of that meeting, management shall not be present.

### Risk Appetite

31. Review and recommend Risk Appetite Statements (RAS) to the appropriate board for approval.
32. Regularly review the risk appetite metrics that support the RAS.

### Risk Management

33. Review and recommend the Enterprise Risk Management Framework for approval by the appropriate board.
34. Monitoring the effectiveness of the risk management framework which includes policies and procedures to identify, treat and monitor principal business risks.
35. Review and recommend policies for Board approval.
36. Receiving and reviewing on a regular basis a summary of the key risks facing the Group, including the associated risk controls implemented and any actions required.

### Capital Management

37. Review and recommend Capital Management Plans (CMP) to the appropriate board for approval.
38. Review and monitor capital levels to ensure alignment with RAS.

### General / Other responsibilities

39. Considering the adequacy of internal controls after consultation with the external auditors, internal assurance and management.
40. Reviewing the findings of any examinations relating to financial matters by any regulatory or Government agency.
41. Review compliance with standards, applicable laws, regulations, regulatory requirements and internal policies.
42. Review the scope, cover and cost of insurance arrangements.
43. Consider Conduct & Culture in undertaking the Committee's functions.
44. Undertake periodic reviews of the Committees own performance.

45. Committee members will be available to meet with regulators as required.

## Meetings

46. The Committee shall meet as often as required to undertake its role effectively, but not less than four times per year. The proceedings of all meetings shall be minuted.
47. A quorum will be established when at least 50% of Committee members are present.
48. Any issues requiring resolution arising at any meeting of the Committee will be decided by a majority of votes. The Chair does not have a casting vote.

## Accountability and Reporting

49. The Committee shall:
- a. be accountable to the Board.
  - b. regularly update the Board about Committee activities and make appropriate recommendations.
  - c. provide copies of minutes of all meetings of the Committee to each member of the Board on a timely basis.

## Ownership and Review

Approver: Boards of MAS Parent, MIS, MLA, MFM, MSL  
Approved: November 2024  
Reviewer: Audit and Risk Committee  
Review: Biennially (last reviewed September 2024)