

# Fisher & Paykel Healthcare Corporation Limited

## Audit & Risk Committee Charter

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This charter sets forth the purpose, authority, composition, responsibilities and duties of the Audit & Risk Committee of the Board of the Company.

### Section I. Purpose

The primary function of the Audit & Risk Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the quality and integrity of the Company's financial reports, the Company's systems of internal controls regarding finance and accounting, and the Company's auditing, accounting and financial reporting processes generally.

The Audit & Risk Committee's responsibilities and duties include:

- serving as an independent and objective party to monitor the Company's financial reporting process and internal control systems;
- reviewing and appraising the audit efforts of the Company's external auditors; and
- providing an open avenue of communication among the external auditors, financial and senior management, and the Board.

The Audit & Risk Committee will primarily fulfil these responsibilities by carrying out the activities enumerated in Section III of this Charter.

### Section II. Composition

- (A) 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"<sup>1</sup> and a majority of independent Directors, each of whom is able to read and understand fundamental financial statements, including a company's statement of financial position, statement of financial performance and cash flow statement, or will become able to do so within a reasonable period of time after his or her appointment to the Audit & Risk Committee. At least one member of the Audit & Risk Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background 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. Members of the Audit & Risk Committee should have an understanding of the industry in which the Company operates.
- (B) Notwithstanding paragraph (A), one director who is not an independent Director and is not a current employee or an immediate family member of such employee, may be appointed to the Audit & Risk Committee, if the Board, under exceptional and limited

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<sup>1</sup> Non-executive Directors are Directors who are not also members of the executive management.

circumstances, determines that membership on the committee by the individual is required by the best interests of the Company and its shareholders. If a director who is not an “independent director” is appointed to the Audit & Risk Committee, the Board shall disclose, in its next annual report to shareholders subsequent to such determination, the nature of the relationship and the reasons for that determination.

- (C) The members of the Audit & Risk Committee shall elect one of their members, who is an independent Director, but not the Board’s chairperson, to be the chairman of the Audit & Risk Committee. In that person’s absence, any member may chair a meeting of the Audit & Risk Committee.

### **Section III. Authorities, Responsibilities and Duties**

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

#### *Review Financial Reports*

1. Review and discuss the Company’s audited financial statements with the Company’s management.
2. Review with management and the external auditors the interim financial statements prior to publicly releasing interim earnings reports or filing interim earnings reports with the applicable securities regulatory authorities. The Chair of the Committee may represent the entire Audit & Risk Committee for purposes of this review.
3. Require the Chief Executive Officer and Chief Financial Officer to state in writing to the Board that 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.

#### *External Auditors*

4. Review and recommend to the Board the engagement of external auditors including their fee and the scope and timing of their audit of the Company’s financial statements.
5. Establish guidelines for the selection and appointment of the Company’s external audit partner at least once every five years.
6. Review with the external auditors the auditors’ and/or accountants’ report on the Company’s financial statements.
7. Evaluate the performance of the external auditors, where appropriate recommend that the Board replace the external auditors and approve any proposed discharge of the external auditors.
8. From time to time, as appropriate, actively engage the Company’s external auditors in a dialogue with respect to any disclosed relationships or services that may impact the objectivity and independence of such auditors and recommend to the Board appropriate action in response to the external auditors’ report to satisfy itself of the auditors’ independence.

9. Periodically discuss with the external auditors out of the presence of management the Company's internal controls, including their recommendations, if any, for improvements in the Company's internal controls and the implementation of such recommendations, the fullness and accuracy of the Company's financial statements and any other matters the Audit & Risk Committee deem appropriate and information that would be required to be disclosed by GAAP.

*Reviewing and Improving Processes*

10. Review with the external auditors and the Company's management policies and procedures with respect to financial and accounting controls.
11. As part of its job to foster open communication, meet at least annually with the Company's management and the external auditors in separate executive sessions to discuss any matters that the Audit & Risk Committee or each of these groups believe should be discussed confidentially.
12. Establish regular and separate systems of reporting to the Audit & Risk Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
13. After consultation with the external auditors, review the integrity and quality of the Company's financial reporting processes, both internal and external, and the external auditors' perception of the Company's financial and accounting personnel.
14. Consider the external auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied and significant judgments affecting its financial reporting.
15. Review any significant disagreement among management and the external auditors in connection with the preparation of the financial statements.
16. Following completion of the annual audit, review separately with each of management and the external auditors any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information.
17. 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.
18. 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.
19. Review and approve the annual Internal Audit Plan.
20. Review all Internal Audit reports and ensure management implement agreed changes to controls or implementation of controls.

21. Recommend to the Board the appointment and/or dismissal of any chief internal audit executive, if required.

*Other*

22. Ensure that processes are in place so that the Board is properly and regularly informed and updated on corporate, financial and risk matters.
23. Review and monitor the Company's insurance program in conjunction with management and recommend changes where deemed appropriate.
24. Review this Charter annually and recommend to the Board any appropriate changes.
25. Perform any other activities consistent with this Charter, the Company's constitution and applicable law, as the Audit & Risk Committee or the Board deems necessary or appropriate.

**Section IV. Procedure**

*Meetings*

The Audit & Risk Committee will meet as frequently as required, but must not meet less than twice a year.

A quorum for a meeting of the Audit & Risk Committee is two members.

The Audit & Risk Committee may invite such other persons to attend their meetings as they consider appropriate.

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.

Proceedings of the Audit & Risk Committee will be governed by the provisions of the Constitution, in so far as they are applicable.

*Consultation*

The Audit & Risk Committee shall have unrestricted access to executive management, external and internal auditors, all employees, Company records and to financial or legal advisors.

*Reporting*

The Audit & Risk Committee shall regularly report to the Board. The report should contain all matters relevant to the Audit & Risk Committee's role and responsibilities, including:

1. an assessment of whether external reporting is consistent with the Audit & Risk Committee members' information and knowledge and is adequate for shareholders' needs;
2. an assessment of the management processes supporting external auditing;
3. the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
4. an assessment of the performance and independence of the external auditors and whether the Audit & Risk Committee is satisfied that the independence of this function has been maintained having regard to the provision of non-audit services;
5. an assessment of the performance and objectivity of the internal audit function; and
6. the results of any review of risk management and internal compliance and control systems.

#### *Review*

The Audit & Risk Committee must conduct an annual review of its performance and effectiveness, inviting comments from all members of the Board. It must recommend to the Board any suggested changes in the duties and responsibilities of the Audit & Risk Committee and the terms of this Charter.