

AUDIT & RISK COMMITTEE (ARC) CHARTER

1. OVERALL PURPOSE/OBJECTIVES

Provide guidance on the provision of both external audit and Business Assurance services to ensure that auditor independence is maintained, ensuring MHM's reputation for reliable and credible financial reporting and strong internal controls is protected.

This charter provides Terms of Reference and sets out the basis on which the board of Directors of MHM Automation Limited (including the subsidiaries, jointly referred to, herein ('MHM')) has established an audit committee.

In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the external auditor. To perform his or her role effectively, each committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the committee's responsibilities and of the company's business, operations and risks.

2. AUTHORITY

The board authorises the audit committee, within the scope of its responsibilities, to:

- 2.1. Perform activities within the scope of its charter.
- 2.2. Engage independent counsel and other advisers as it deems necessary to carry out its duties.
- 2.3. Ensure the attendance of company officers at meetings as appropriate.
- 2.4. Have unrestricted access to members of management, employees and relevant information. Establish procedures for dealing with concerns of employees regarding regulatory, accounting, internal assurance or auditing matters.
- 2.5. Establish procedure for the receipt, retention and treatment of complaints received by the company regarding regulatory, accounting, internal accounting controls or auditing matters.
- 2.6. Be directly responsible for the appointment, compensation, retention and oversight of the work of the external auditor.
- 2.7. Approve all audit engagement fees and terms as well as reviewing all policies for the provision of non-audit services by the external auditors (and when required, the framework for pre-approval of such services).
- 2.8. Perform an annual review and make necessary recommendations to the MHM Board.

3. ORGANISATION

MEMBERSHIP

- 3.1. The MHM Board of Directors will nominate the Audit Committee members and the Chairman of the Audit Committee (who is an independent director). Committee membership shall be approved annually by the Board. A committee member will remain a member unless a member resigns or is removed by the board.
- 3.2. The Audit Committee will comprise at least three members and the majority of all members shall be independent non-executive directors of the company
- 3.3. A quorum of any meeting will be three members.
- 3.4. Committee members shall have:
 - 3.4.1. Some knowledge of the primary industries in which the Company operates;
 - 3.4.2. 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;
 - 3.4.3. awareness of the role of external and internal auditors;
 - 3.4.4. awareness of reporting standards; and
 - 3.4.5. the ability to understand key financial risks and related controls and control processes.
- 3.5. 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.

MEETINGS

- 3.6. Meetings shall be held as required but not less than two times a year and should correspond with the company's financial reporting cycle. The meetings are set out in Appendix 1.
- 3.7. The ARC Chair shall circulate both an Agenda and minutes of meetings to members of the board, members of the committee, (and the external auditor where appropriate).
- 3.8. As a minimum, the chairman of the committee (or another member of the committee) shall attend the board meeting at which the financial statements are approved.

4. ROLE AND RESPONSIBILITIES

INTERNAL ASSURANCE STANDARDS

- 4.1. Evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.
- 4.2. Understand the internal controls systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 4.3. Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, and are subject to appropriate management review.
- 4.4. Evaluate the overall effectiveness of the internal control and risk management frameworks and consider whether recommendations made by the external auditors have been implemented by management.
- 4.5. Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.
- 4.6. Maintaining the MHM Risk Register and Reporting this periodically to the MHM Board

FINANCIAL AND STATUTORY REPORTING

- 4.7. Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- 4.8. Review significant accounts and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on financial reports.
- 4.9. Oversee the periodic financial reporting process implemented by management and review interim financial statements, annual financial statements and preliminary announcements prior to their release.
- 4.10. Review management's process for ensuring that information contained in analyst briefings and press announcements is consistent with published financial information, balanced and transparent.
- 4.11. Meet with management and the external auditors to review the financial statements, the key accounting policies and judgements, and the results of the audit.
- 4.12. Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.
- 4.13. Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations and lacks bias.

COMPLIANCE WITH LAWS AND REGULATIONS

- 4.14. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- 4.15. Obtain regular updates from management regarding compliance matters that may have a material impact on the company's financial statements or compliance policies.
- 4.16. Be satisfied that all regulatory compliance matters, related to the business of the company, have been considered in the preparation of the financial statements.
- 4.17. Review the findings of any examinations by regulatory agencies.

WORKING WITH AUDITORS

EXTERNAL AUDITOR

- 4.18. Review the professional qualification of the auditors (including background and experience of partner and auditing personnel)
- 4.19. Consider the independence of the external auditor and any potential conflicts of interest. Obtain a formal written statement from the external auditor in their independence.
- 4.20. Review on an annual basis the performance of the external auditors and make recommendations to the board for the appointment, reappointment or termination of the appointment of the external auditors.
- 4.21. Review the external auditor's proposed audit scope and approach for the current year in the light of the company's present circumstances and changes in regulatory and other requirements.
- 4.22. Discuss with external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- 4.23. Ensure that significant findings and recommendations made by the external auditors and management's proposed response are received, discussed and appropriately acted on.
- 4.24. Discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports and whether they are considered as aggressive, balanced or conservative.
- 4.25. Meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately. Ensure the auditors have access to the Chairman of the Audit Committee when required.
- 4.26. Review policies for the provision of non-audit services by the external auditor (and where applicable the framework for pre-approval of audit and non-audit services).
- 4.27. Ensure that company has appropriate policies regarding the hiring of audit firm personnel for senior positions after they have left the audit firm.

Paul Smart (ARC Chair)

Trevor Burt (MHM Chair)

Date: _____

APPENDIX 1 – MEETING DATES IN THE BOARD CALENDAR

JANUARY

- ARC meeting to discuss and flag any issues for half year. (Currently the Interim Results are not audited they are however reviewed by the Auditor)
- ARC recommend to Board adoption of Half Year Accounts

JULY

- Board meeting with Auditors to full year areas of focus

AUGUST

- Recommend signing of the Accounts to the Board
- Auditor meeting with the Board
- Confirm recommendation to the Board and ultimately the shareholders regards the appointment of Auditors for the following year
- NZX announcement of Annual Report and Financial Statements

OCTOBER AM

- confirm appointment of Auditors (Incumbent BDO appointed October 2020)

APPENDIX 2 - MEMBERS AS AT 21-JUNE-2023

DIRECTORS

Paul Smart – Independent Director and Committee Chair

Trevor Burt – Independent Director

Richard Rookes – Executive Director

OFFICER

Ian McGregor – CFO

APPENDIX 3 - MEMBERS AS AT 21-JUNE-2023

NAME	ARC Charter
DESCRIPTION	Guidance on the provision of both external and internal audit services by any person engaged in relation to external and internal audit services of MHM.
TYPE	Corporate Policy
OWNER	CFO
APPROVER	MHM Board
DATE ADOPTED	21 June 2023

APPENDIX 4 – ANNUAL ASSESSMENT TO BE CONDUCTED BY THE MHM BOARD POST AUDIT CLEARANCE

Governance – Review of the Audit Committee performance and charter:

As part of the Audit Committee charter the Board is required to assess the performance of the Audit Committee against the Charter. The assessment for consideration is as follows:

Audit Committees		Assessment
2.1	Review the effectiveness of the internal control framework across the Group with management and the External Audit.	Effectively controlled
2.2	Review with management, and the External Audit significant risks and exposures and mitigation strategies.	All significant issues raised and discussed by the committee
2.3	Review the Group's accounting policies and financial reporting practices (including financial statements in any offering documents).	Confirmed annually the AP are appropriate
2.4	Review the Annual Financial Statements and advise all Directors of the Company whether these Financial Statements comply with the appropriate laws and regulations.	In conjunction with management and Deloitte the Committee review the Financial statements
2.5	Ensure that the Board is properly and regularly informed and updated on corporate financial matters.	The review and reporting process ensures the Board is kept informed of financial matters
2.6	Maintain direct and unrestricted lines of communication with the External Audit and management.	Fully maintained
2.7	Confirm the respective authorities and responsibilities of the Board, External Audit and management.	Managed via delegated authority
2.8	Oversee and review the External Audit process.	Effectively overseen
2.9	Recommend the appointment and removal of the External Auditor.	Not presently required
2.10	Ensure that the External Audit or lead Audit partner is changed at least once every five years.	Presently in 2nd year
2.11	Review and confirm the Independence of the External Audit	Assessed each year
2.12	Review with appropriate personnel the actions taken to ensure compliance with the Group's Code of Conduct and Ethics and Group Policies and the results of confirmations or violations of such Code.	Assessed each year
2.13	Review the programme and policies operating in the Group to ensure compliance with applicable laws and regulations and monitoring the results of these compliance efforts	Assessed each year