



RISK ASSURANCE AND AUDIT COMMITTEE TERMS OF REFERENCE

A. Purpose and Responsibilities of the Committee

The primary purpose of the Risk Assurance and Audit Committee is to assist the Board of Directors of Mighty River Power Limited (the Board) in fulfilling its risk assurance and audit responsibilities relating to the Company and each of its subsidiaries (the Group). The Committee will carry out this purpose by overseeing and providing advice to the Board on the Group's:

- risk management processes;
- internal control mechanisms;
- internal and external audit functions;
- policies and processes adopted to ensure compliance with applicable legislation, regulations, codes of practice and government requirements; and
- financial information prepared by management for publication to shareholders, regulators and the general public.

B. Constitution

The Committee is a committee of the Board.

The Committee has the authority to seek any information it requires from any officer or employee of the Group and from any adviser or consultant to the Group, and is authorised to take such independent professional advice as it considers necessary.

The Company's Risk Assurance Officer has a dual reporting line to the Chief Executive and the Committee.

Despite the existence of the Committee, the external auditors and internal auditors have direct access to the full Board if required.

Members of the Senior Management Team of the Company have an express right of direct access to the Chairman of the Committee in relation to any matters of material concern that have been raised through normal management processes but have not been advised to the Committee.



C. Membership

The membership of the Committee shall be not less than three Directors, with at least one member being a Chartered Accountant or having another recognised form of financial expertise. The Chairman of the Board shall not be eligible to be Chairman of the Risk Assurance and Audit Committee.

The Committee may co-opt external experts from time to time if the Committee believes this would assist the Committee to discharge its responsibilities.

A quorum for meetings shall be two.

D. Secretarial and Meetings

The Secretary to the Board shall be appointed Secretary of the Committee. The Secretary, in conjunction with the Chairman of the Committee and the [Risk Assurance Officer], shall draw up an agenda which shall be circulated reasonably in advance of each meeting to the members of the Committee and to the Chief Executive. Management shall attend and speak at meetings as required by the Chairman of the Committee.

The Chairman shall call a meeting of the Committee if so requested by any member of the Committee, or the external auditors, or as requested by the Board.

Meetings will be held not less than 3 times per year.

Minutes of each meeting will be produced by the Secretary of the Committee and such minutes will, following approval by the Committee, be signed by the Chairman as a correct record of the proceedings of the meeting. The Chairman shall report the findings and recommendations of the Committee to the Board after each meeting and will provide copies of the minutes to the members of the Board.

E. Responsibilities and Duties

In addition to the general responsibilities set out in section A above, the Committee will have the following specific responsibilities:

1. Provide an open avenue of communication between the internal auditors, the external auditors and the Board.
2. Meet with the internal and external auditors at least annually without management present.



3. Review and update the Committee's terms of reference annually.
4. Advise the Board as to whether the Committee is satisfied as to the competency of any firm of Chartered Accountants to whom the Controller and Auditor-General proposes to delegate the external audit of the Group.
5. Endorse the appointment, replacement, reassignment, or dismissal of the Internal Auditor.
6. Confirm the independence of the external auditors, including a review of the audit fees and the management consulting services, and related fees provided by the external auditors, and provision of a formal written statement from the external auditors.
7. Enquire of management, the internal auditor and the external auditor about significant risks or exposures and assess the Group compliance against risk management policies and procedures and the steps management has taken to manage risk to the Group.
8. Evaluate the steps management have taken to identify and manage risks and exposures and review whether management has instilled throughout the group an effective risk management culture.
9. Consider and review with the internal auditor and the external auditor:
 - a) the adequacy of the Group internal controls, including computerised information system controls, security, conflicts of interest, and prevention and identification of fraud;
 - b) any related significant findings and recommendations of the internal auditor and the external auditor, together with management's responses.
10. Review with management, and the external auditor at the meeting of the Committee that considers the annual financial statements:
 - a) the Group's annual financial statements;
 - b) the external auditor's audit of the financial statements and their formal audit opinion;
 - c) any serious difficulties or disputes with management encountered during the course of the audit;
 - d) other matters related to the conduct of the audit that are to be communicated to the Committee under generally accepted auditing standards.



This review process includes a session during which only the Committee and the external auditors are present.

11. Consider and review with management, including the internal auditor:
 - a) the Internal Audit Plan;
 - b) the nature, scope, objectives and functions of the Group's internal audit;
 - c) the internal audit plans and budgets for the year ahead, including ensuring that adequate resources are provided;
 - d) any changes that were made during the year to the planned scope of the internal audit plan;
 - e) any difficulties encountered in the course of internal auditing, including any restrictions on the scope of the work or access to required information;
12. Review with management the interim financial statements.
13. Review policies and procedures with respect to officers' expense accounts and perquisites, including their use of corporate assets and consider the results of any review of these areas by the internal auditor or the external auditors.
14. Consider the appropriateness of accounting policies, taking into account current disclosure issues.
15. Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and the reputation of the company.
16. Review with management, compliance reports on Treasury activities.
17. Report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
18. Prepare a statement for inclusion in the annual report that describes the Committee's composition and responsibilities and how they were discharged.
19. Take an active interest in the Group's policies, procedures, practices and controls.
20. To identify and direct any special projects or investigation it deems necessary.



F. Governing Principles of the Committee

The Committee will:

1. maintain a clear boundary between management's responsibilities for risk management and the responsibilities of the Committee, i.e. oversight, assurance and audit;
2. ensure that the Risk Assurance Officer has adequate authority and resources to determine the effectiveness of risk management, assurance and audit; such determinations are to be objective and cognisant of the culture, management practices, structure and policies of the Company;
3. ensure that the Risk Assurance Officer provides to the Committee regular reviews of risk management, assurance and audit processes where:
 - a. the review is conducted by an appropriately skilled and independent specialist, who may be an internal specialist;
 - b. the business manager responsible for the risk management component responds formally to the review; and
 - c. differences in view, opinion and/or philosophy between manager and reviewer are made explicit;
4. give clear guidance to the Risk Assurance Officer with respect to risk management or audit policy;
5. task the Risk Assurance Officer to ensure healthy and robust debate and interaction between management and risk assurance and audit providers; and
6. regularly report and make declarations to the Board on the state, nature and effectiveness of risk assurance and audit.