

KATHMANDU HOLDINGS LIMITED (the "Company") ARBN 139 836 918

AUDIT AND RISK COMMITTEE CHARTER

Purpose of Charter

- 1 The Audit and Risk Committee Charter (the "Charter") governs the operations of the Audit and Risk Committee. It sets out the Audit and Risk Committee's role and responsibilities, composition, structure and membership requirements. The Audit and Risk Committee has been established to assist the board of the Company ("Board") in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reports and financial reporting process, internal control structure, risk management and systems (financial and non-financial, including enterprise risk and risk in relation to occupational health and safety) and the internal and external audit process.
- 2 The Audit and Risk Committee shall review and reassess the charter at least annually and, on each occasion, shall obtain the approval of the Board to the form of the Charter.

Membership

- 3 The Audit and Risk Committee shall solely be members of, and appointed by, the Board. It shall be of sufficient size, independence and technical expertise to discharge its mandate effectively. The Audit and Risk Committee shall consist of:
 - at least three members;
 - only non-executive directors;
 - a majority of independent (as defined in the Schedule to this Charter) directors;
 - an independent (as defined in the Schedule to this Charter) chairperson, who shall be nominated by the Board from time to time but who shall not be the chairperson of the Board; and
 - at least one member that has an accounting or financial background.
- 4 Current members are: John Harvey, James Strong, Sandra McPhee, John Holland.
- 5 All Audit and Risk Committee members shall be financially literate (ie are able to read and understand financial statements). At least one member shall have accounting and/or related financial management expertise and be a current member of the Institute of Chartered Accountants of New Zealand or have held a Chief Financial Officer position at a public issuer for greater than 24 months or have any other comparable experience and/or qualifications deemed satisfactory to the Board and some members shall have an understanding of the industries in which the Company operates.

- 6 Members will be appointed for a fixed period of no more than one year, with Audit and Risk Committee members generally being eligible for re-appointment for so long as they remain independent directors of the Board. The appointment and removal of Audit and risk Committee members shall be the responsibility of the Board. Members may resign upon reasonable notice in writing to the Audit and Risk Committee Chairperson. The effect of ceasing to be a director of the Board is the automatic termination of appointment as a member of the Audit and Risk Committee.
- 7 The secretary of the Audit and Risk Committee shall be such person as nominated by the Board from time to time.

Meetings

- 8 The Audit and Risk Committee shall meet often enough to undertake its role effectively, being at least four times each year.
- 9 The purpose of Audit and Risk Committee meetings shall be to:
 - review, monitor and approve internal audit and external audit plans;
 - update the internal and external audit plans;
 - review and approve financial reports;
 - review, monitor and approve risk management policies, procedures and systems;
 - oversee a framework to identify and assess any material risks (financial and non-financial, including enterprise risk and risk in relation to occupational health and safety) that may impact the business; and
 - review the effectiveness of the compliance function in general.
- 10 The Audit and Risk Committee shall meet in private session at least annually to assess management's effectiveness.
- 11 A quorum for any meeting will be two members.
- 12 Special meetings may be convened as required. The Chairperson will call a meeting of the Audit and Risk Committee if requested to do so by any member of the Audit and Risk Committee, by the external auditors or by the chairperson of the Board.
- 13 The Audit and Risk Committee may invite such other persons (eg. staff, Managing Director, Finance Director, external parties) to its meetings, as it deems necessary (whether on a permanent or ad hoc basis).
- 14 The proceedings of all meetings will be minuted and these will be included in the papers for the next Board meeting after each Audit and Risk Committee meeting.

Authority

- 15 The Board authorises the Audit and Risk Committee, within the scope of its responsibilities, to:
- investigate any matter brought to its attention with full access to all books, records and facilities;
 - seek any information it requires from an employee (and all employees are directed to cooperate with any request made by the Audit and Risk Committee) or external parties;
 - obtain outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties; and
 - ensure the attendance of Company officers at meetings as it thinks appropriate.

Duties and Responsibilities

- 16 Understanding the Company's Business
- The Audit and Risk Committee shall seek to ensure it understands the Company's structure, business and controls with a view to adequately assessing the significant risks faced by the Company.
- 17 Financial Reporting
- The Audit and Risk Committee's primary responsibility is to oversee the Company's financial reporting process on behalf of the Board and to report the results of its activities to the Board. The Audit and Risk Committee shall:
 - review the Company's financial statements to determine whether they are accurate and complete and make any necessary recommendations to the Board;
 - review significant accounting policies adopted by the Company with a view to ensuring compliance with NZIFRS, and generally accepted accounting principles;
 - consider financial matters relevant to half yearly reporting in a timely manner; and
 - review other financial information distributed externally as required.
- 18 Reporting to the Board
- The Audit and Risk Committee shall regularly report to the Board on all matters relevant to the Audit and Risk Committee's role and responsibilities.

- The chairperson will report and as appropriate make recommendations to the Board after each meeting of the Audit and Risk Committee on matters dealt with by the Audit and Risk Committee.
- As and when appropriate, the Audit and Risk Committee will seek direction and guidance from the Board on audit, risk management and compliance matters.
- The Audit and Risk Committee shall advise the Board of audit, financial reporting, internal control, risk management and compliance matters which may significantly impact upon the Company in a timely manner.

19 Assessment of accounting, financial and internal controls

- Periodically, the Audit and Risk Committee shall meet separately with management, the internal auditors, and the external auditors to discuss:
 - the adequacy and effectiveness of the accounting and financial controls, including the Company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs; and
 - issues and concerns warranting Audit and Risk Committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement.
- The Audit and Risk Committee shall provide sufficient opportunity for the internal auditors and the external auditors to meet privately with the members of the Audit and Risk Committee. The Audit and Risk Committee shall review with the external auditor any audit problems or difficulties and management's response.
- The Audit and Risk Committee shall receive regular reports from the external auditor on the critical policies and practices of the Company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
- The Audit and Risk Committee will have direct communication with and unrestricted access to the independent and internal auditors or accountants.

20 Appointment of external auditors and scope of external audit

- The Audit and Risk Committee shall make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness and independence of the external auditors and resolution of disagreements between management and the auditor regarding financial reporting.
- The Audit and Risk Committee shall discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures.

- The Audit and Risk Committee shall seek to ensure that the external auditor or lead audit partner is changed at least every 5 years.

21 Pre-approval of audit and non-audit services provided by external auditors

- The Audit and Risk Committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit/assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- The Audit and Risk Committee may delegate pre-approval authority to a member of the Audit and Risk Committee. The decisions of any Audit and Risk Committee member to whom pre-approval authority is delegated must be presented to the full Audit and Risk Committee at its next scheduled meeting.

22 Assessment of the external audit

- The Audit and Risk Committee, at least on annual basis, shall obtain and review a report by the external auditors describing (or meet, discuss and document the following with them):
 - The audit firm's internal quality control procedures.
 - Any material issues raised by the most recent internal quality control review, or peer review, of the audit firm, or by any enquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
 - All relationships between the external auditor and the Company (to assess the auditor's independence).
- The Audit and Risk Committee shall set clear hiring policies for employees or former employees of the external auditor in order to prevent the impairment or perceived impairment of the external auditor's judgement or independence in respect of the Company.
- The Audit and Risk Committee shall review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company.
- The Audit and Risk Committee shall draft an annual statement for inclusion in the Company's annual report as to whether the Audit and Risk Committee is satisfied the provision of non-audit services is compatible with external auditor independence.

23 Assessment of the internal audit

- The Audit and Risk Committee shall review the internal auditor's charter and resources with a view to ensuring there are no unjustified restrictions or limitations imposed upon internal audit staff and that resourcing is adequate.
- The Audit and Risk Committee shall discuss the scope of the internal audit with the internal auditor, including the internal audit plan, work program and quality control procedures.

24 Assessment of Risk - management framework

The Audit and Risk Committee's risk management responsibilities will be to:

- Seek to ensure that management has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key enterprise risks, including occupational health and safety risks in accordance with the Company's Risk Management Policy.
- Review the procedures of identifying enterprise risks and controlling their financial impact on the Company.
- Review management's and the external and internal auditor's reports on the effectiveness of systems for internal control, financial reporting and risk management.
- Seek to ensure that the Board receives regular risk management compliance certificates and review reports on the principal enterprise risks at least annually.
- Review key insurance policy terms and cover adequacy and make recommendations to the Board for adoption of the insurance cover.

25 Compliance with Laws and Regulations

- The Audit and Risk Committee shall gain an understanding of the current areas of greatest compliance risk (financial and non-financial) and review these areas on a regular basis.
- The Audit and Risk Committee shall obtain regular updates from management, Company's legal counsel, auditors and any external parties as it thinks fit regarding audit, risk management and compliance matters. It shall regularly review existing compliance systems and consider any deficiencies in compliance risk measures.
- The Audit and Risk Committee shall review any legal matters which could significantly impact the Company's compliance and risk management systems, and any significant compliance and reporting issues, including any recent internal regulatory compliance reviews and reports.
- The Audit and Risk Committee shall review the effectiveness of the compliance function at least annually, including the system for monitoring compliance with laws and regulations and the results of management's investigations and follow-ups (including disciplinary action) of any fraudulent acts or non-compliance.

- The Audit and Risk Committee shall take steps to ensure that it is satisfied that all regulatory compliance matters have been considered in the preparation of the Company's official documents.
- The Audit and Risk Committee shall review the findings of any examinations by regulatory agencies and oversee all liaison activities with regulators.
- The Audit and Risk Committee shall review the Company's financial reports and advise the Board whether they comply with the appropriate laws and regulations.

26 Releases and Complaints

- The Audit and Risk Committee shall review and discuss media releases, NZX and ASX announcements and any other information provided to analysts.
- The Audit and Risk Committee shall review all representation letters signed by management with a view to ensuring that the information provided is complete and appropriate.
- The Audit and Risk Committee shall establish procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Audit and Risk Committee shall review corporate legal reports of evidence of a material violation of any applicable legislation or the NZX or ASX Listing Rules or breaches of fiduciary duties.

27 Audit and Risk Committee performance

- The Audit and Risk Committee shall perform an evaluation of its performance at least annually to determine whether it is functioning effectively by reference to current best practice.
- The Board will evaluate the performance of the Audit and Risk Committee as appropriate.

Adopted by the Board of Directors on 19 October 2009

Schedule

Independence Definition

An independent director is a non-executive director who does not have any direct or indirect interest or relationship that could materially influence, in a material way the Director's decision in relation to the Company.

Without limiting this definition, a Director will be deemed not to be independent if they:

- (a) are a substantial security holder of the Company, or an associated person of a substantial security holder (other than solely as a consequence of being a Director); or
- (b) have a relationship (other than in the capacity as a Director) with the Company or a substantial security holder of the Company (or one of their associated persons has such a relationship) and, by virtue of that relationship, that Director (or associated person) is likely to derive, in the current financial year of the Company, a substantial portion of their annual revenue during such financial year.

An independent Director will be free from any interest or business or other relationship which could or could reasonably be perceived to materially interfere with their ability to act in the independent exercise of their judgment.

Family ties and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by directors to the Board.

Adopted by the Board of Directors on 19 October 2009