

## THE WAREHOUSE GROUP LIMITED

### **Audit and Risk Committee Charter**

#### **1. Role**

The Audit and Risk Committee (“the Committee”) is a committee of the Board of Directors (“the Board”) of The Warehouse Group Limited and each of its subsidiaries (“the Company”).

This Charter (“the Charter”) sets out the role, responsibilities, structure and processes of the Committee.

The role of the Committee is to assist the Board to fulfil its risk management and audit responsibilities relating to the Company.

The Committee provides oversight in four distinct areas:

- Governance and regulatory compliance associated with financial and non-financial disclosure;
- Financial reporting;
- Internal and external audit functions including internal control mechanisms; and
- Risk management.

The Board is responsible for risk management generally and delegates the implementation and operation of risk management, including internal control and audit systems, to the Chief Executive Officer who may further delegate such responsibilities. The role of the Committee, primarily through the internal audit function, is to ensure that appropriate risk management systems are in place and are operating effectively.

It is the responsibility of the Committee to maintain free and open communication between the directors, the external auditors, the internal auditors, and Company management (“Management”).

#### **2. Responsibilities**

2.1. The Committee’s responsibilities are to, amongst other things:

- Review and recommend to the Board the external auditor to be appointed;
- Identify, direct or investigate any matter raised with the Committee that is within the scope of its duties; and
- Report Committee actions and recommendations to the Board.

2.2. Internal controls and risk management

The Committee will, amongst other things:

- Review management and internal audit reports on the effectiveness of the internal control, risk management systems and management of material business risks;
- Review and assess the steps Management has taken to instil an effective risk management culture throughout the Company;

- Review and assess the effectiveness of the Company's internal controls, policies, programmes, guidelines and procedures that form the risk management reporting systems and processes for managing risk and controlling its financial impact; and
- Review annually and recommend to the Board for approval those Company risk management, reporting and governance policies that require Board approval.

### 2.3. Financial Reporting

The Committee will, amongst other things:

- Review and recommend to the Board for approval the draft interim and annual financial statements and other related information to be released to the market. The review process will include consideration as to whether the financial statements reflect the understanding of the Committee, and provide a true and fair view of the financial position and performance of the Company. The Committee will, in forming its view, discuss the statements with Management and the external auditors;
- Review, assess and discuss with the external auditors the adequacy and effectiveness of the Company's financial and reporting systems, and internal controls over these systems;
- Review all material financial reporting issues and practices, including material changes in, or adoptions of, accounting policies;
- Review Management's judgments in respect of accruals, provisions, estimates or the application of accounting principles that may materially affect the financial statements as well as other sensitive matters, such as disclosure of unusual, non-recurring, complex or related party transactions;
- Review the Company's tax position, compliance and any exposures;
- Review and discuss with Management the Company's external financial reporting and announcements and ensuring compliance with applicable legal requirements, regulations, and NZX listing rules and codes of practice;
- Review reports received from regulators and other legal and regulatory bodies, matters that may have a material effect on the financial statements or related Company compliance policies; and
- Review and discuss with Management and the external auditor the process and the disclosures made in respect of the certifications given by the Chief Executive Officer and Chief Financial Officer with respect to the financial statements.

### 2.4. External auditor engagement

The Committee will, amongst other things:

- Review with Management the terms, including the scope of the external auditor's engagement in order to make recommendations to the Board concerning the appointment, re-appointment, rotation and removal of external auditors;
- Review and assess the scope of the proposed audit and half year review for the current year and the procedures to be utilised, including the degree of co-ordination between the internal and external audit teams;
- Review and approve the terms of engagement and fees of the external auditor;
- Review the summary management report prepared by external audit, including the significant findings and responses of Management; and assessing any significant recommendations of the auditors to strengthen the Company's internal controls and reporting systems;

- Periodically meet with the external auditors without the presence of Management, to discuss the quality of the Company's accounting principles, material judgements, and any other matters that the Committee or external auditors deem appropriate;
- Assess and monitor the performance and effectiveness of the Company's external auditors; and
- Review, assess and monitor Management's responsiveness to external audit findings.

#### 2.5. Internal auditor engagement

The Committee will:

- Review and concur with Management's appointment, termination, dismissal or replacement of the internal auditor;
- Review the internal audit function of the Company including the resourcing, budget and staffing, any outsourcing arrangements, independence and authority of its reporting obligations;
- Review the scope and adequacy of the internal audit plans, review and approve any planned changes during the year, and oversee the coordination of the plans with the external auditors;
- Review and assess the performance and objectivity of the internal audit function;
- Meet with internal auditor at least annually without Management being present;
- Consider and review with Management and the internal auditor, any difficulties encountered during internal audits and risk management reviews, including any restrictions on the scope of the work or access to required information; and
- Receive and consider on a regular basis a summary of findings from completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan.

### 3. Auditor Independence

3.1. The Committee has responsibility for ensuring the independence of the external auditor is maintained and the Company's reputation for reliable and credible financial reporting is protected.

3.2. Confirmation of independence:

- The Committee will only recommend to the Board for approval a firm to be the external auditor if that firm provides a statement that it will comply with relevant ethical requirements and professional standards regarding independence; and
- The Committee will receive an annual declaration from the external auditor regarding compliance in the previous 12 months with ethical requirements and professional standards regarding independence in accordance with regulatory requirements.

3.3. Auditor rotation and employment:

- Rotation of the senior audit partner is required every five years with a mandatory two year stand down period to be completed before that partner's next engagement with the Company. Regular rotation of the audit firm is not required; and
- No former Company employee will be engaged in an external audit role for the Company within two years of leaving the Company. Former audit partners or audit managers will not be employed by the Company without prior approval of the Committee.

- 3.4. Services:
- The external auditor may be permitted to provide non-audit services that are not considered to conflict with the preservation of the independence of the auditor; and
  - The Committee must approve significant permissible non-audit work assignments that are awarded to the external auditor, and the value of non-audit work must be reported at every Board meeting.
- 3.5. Services that may be performed:
- core audit services including statutory, regulatory and stock exchange audit requirements;
  - reporting engagements to third parties e.g. prospectus opinions, bank compliance;
  - accounting policy advice including opinions on compliance with accounting standards;
  - listing advice;
  - taxation compliance and assurance services;
  - internal audit assistance;
  - secondments of junior staff; and
  - assistance with the preparation of statutory financial statements.
- 3.6. Services that may be performed subject to the approval of the Chair of the Committee:
- due diligence services;
  - strategic business planning;
  - secondments to Management positions;
  - accounting/technical training;
  - advice on the structuring or pricing of any deal, asset or Company; and
  - company acquisition.
- 3.7. Services that may not be performed by the external auditor:
- performing any function of management, or being responsible for making management decisions;
  - designing or implementing financial information systems and processes within the Company;
  - involvement in the Company's Internal Audit Programme;
  - staffing of temporary roles;
  - producing or preparing financial information or financial statements such that the firm could be perceived as auditing its own work;
  - undertaking any internal audit work;
  - providing remuneration advice;
  - providing valuation services where such valuation is included in audited financial information;
  - providing actuarial services;
  - advising on taxation planning and strategy matters; and
  - providing broker, dealer, investment advisory or investment banking services.
- 3.8. Other matters and variations
- Where a service is not specifically addressed above or where a variation to services or to this policy is sought, approval of the Chair of the Audit and Risk Committee is required.

#### **4. Powers and Authority**

##### **4.1. Authorities**

The Committee will make recommendations to the Board on all matters requiring its decision. The Committee does not have the power or authority to make decisions for or on behalf of the Board.

##### **4.2. Direct access to Committee**

Despite the existence of the Committee the internal and external auditors will have direct access to the Board on any matter if required.

The Committee will have unrestricted access to the internal and external auditors. Meetings will be held with the internal and external auditors without Management present at least once each year.

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

##### **4.3. Information from employees and other parties**

The Committee will have access to, and the authority of the Board to seek any information it requires from any officers, employees, consultants or advisers to fulfil its function, duties and responsibilities. All employees will be directed to co-operate with any request made by the Committee.

##### **4.4. Independent advice**

The Committee has the authority of the Board to obtain independent professional advice and expertise if it considers this necessary.

##### **4.5. Reliance**

The Committee members are entitled to rely on information or advice of Management and employees of the Company on matters within their area of responsibility; and the advice of internal and external counsel and other experts on matters within their areas of expertise, provided that reliance is permitted by law.

Before a Committee member can rely on such information or advice the Committee member must be satisfied that there are no facts or circumstances that he or she is aware, or ought to be aware, which would deny reliance; and he or she has reviewed the information or advice, having regard to the member's knowledge of the Company.

#### **5. Composition**

##### **5.1. Membership**

The Committee will have at least three members who are independent directors of the Company. A majority of directors on the Committee will be independent directors. All Committee members will be financially literate, and at least one member will have an accounting or financial background as that term is described in the NZX Main Board listing rules.

The Committee will be structured to ensure that, as a collective group, it has the skills, experience and knowledge to fulfil its role and responsibilities. The Committee may, from time to time, co-opt external experts if the Committee believes this would assist the Committee to discharge its responsibilities.

5.2. Term of appointment

Members of the Committee will be appointed and replaced by Board resolution.

5.3. Quorum

A quorum will be a majority of members.

5.4. Chair

The Chair of the Committee will be appointed by the Board. The Chair will be an Independent Director and may not be the Chair of the Company.

5.5. Secretary

The Company Secretary or nominee will act as Secretary. The Secretary, in conjunction with the Committee Chair, is responsible for the co-ordination of all Committee business including meeting scheduling, agendas, scheduling policy reviews, distribution of Committee papers, minutes and communication with the Board and internal and external auditors.

**6. Meetings**

6.1. Procedures

Committee meetings will be conducted in accordance with the Company's Constitution and otherwise as determined by the Committee Chair. Matters arising for determination at the meeting will be decided by a majority of votes cast by those present and entitled to vote on the matter. The Committee Chair has a casting vote, subject to the terms of the Constitution.

All discussions, papers and records of Committee meetings will remain confidential to the Company unless there is a specific direction from the Committee or the Board or disclosure is required by law.

6.2. Frequency

Meetings of the Committee will be held at least three times each year having regard to the Company's reporting and audit cycle.

Any Committee member, the Chief Executive Officer or Chief Financial Officer, or external or internal auditors may request the Committee Chair to convene a meeting of the Committee at any time. The request will be in writing and state the purpose for the meeting. The Committee Chair will convene the meeting within 21 days after the receipt of the request.

Written notice of Committee meeting dates, times and locations will be prepared by the Secretary.

6.3. Papers and work programme

Meeting agendas and minutes will be distributed to all Board members regardless of whether

they are members of the Committee.

The Committee will establish an annual work programme to ensure that the Committee reviews, assess or reports on each of the areas for which it is responsible under this Charter.

6.4. Observers

Any director who is not a member of the Committee may attend meetings.

Company Management, internal and external auditors and any other person approved by the Committee Chair may be invited to attend Committee meetings.

Any person may be asked to leave the meeting at the Chair's discretion.

6.5. Minutes

Minutes of all meetings will be taken by the Secretary. Following approval by the Committee, these will be signed by the Committee Chair as a correct record of the proceedings of the meeting.

6.6. The Committee Chair will report the findings and recommendations of the Committee to the Board after each meeting. Copies of the minutes will be provided to Board members. The Committee Chair will ensure the Board is made aware of any matters that may significantly impact on the Company's financial condition or business affairs.

6.7. Confidentiality

All discussions, papers and records of Committee meetings will remain confidential to the Company unless there is specific direction from the Committee or the Board or disclosure is required by law.

7. **Review**

The Committee will periodically assess its effectiveness and report its findings to the Board. Input to the review will be sought from Management and internal and external auditors.

The Committee will review this Charter at least every two years to ensure it meets best practice standards and meets the needs of the Company and the Committee.

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