

## PROPERTY FOR INDUSTRY LIMITED AUDIT AND RISK COMMITTEE CHARTER

### 1. Purpose

Property for Industry Limited's (*PFI*) Board of Directors (the *Board*) have established an Audit and Risk Committee in accordance with PFI's constitution (the *Constitution*) to assist the Board in discharging its responsibilities with respect to financial reporting, compliance and risk management practices of PFI. The constitution allows the Board to delegate other responsibilities upon the Audit and Risk Committee as it sees fit. This Charter is intended to guide the Audit and Risk Committee members in fulfilling their responsibilities to the Board and, in particular, addresses the membership, authority, operation and responsibilities of the Audit and Risk Committee.

### 2. Authority

The Audit and Risk Committee's authority is sourced from the Constitution, this Charter and applicable Board resolutions passed from time to time.

The Committee is authorised by the Board to investigate any activity covered by its functions and responsibilities. It is authorised to seek any information it requires from any employee of PFI, and all employees shall be directed to cooperate with any request made by the Committee.

The Committee shall have the authority of the Board to:

- conduct any investigations required to fulfil its responsibilities; and
- obtain legal or other independent professional advice, and to secure the attendance at meetings of third parties with the relevant experience and expertise if it considers this necessary.

Any expenses incurred in relation to the above will be met by PFI.

The Committee is accountable to the Board and may make recommendations to the Board. However, the Committee has no executive powers with regard to its findings and recommendations.

Each Audit and Risk Committee member must apply an independent and enquiring mind, as well as his or her own knowledge of PFI and its business, to evaluate a given matter, and to form his or her own opinion on that matter. Each Audit and Risk Committee member must not substitute any information or advice provided by an employee or external professional adviser for his or her own examination of important matters.

It is the responsibility of each Audit and Risk Committee member to bring to the attention of the Audit and Risk Committee any issue which an Audit and Risk Committee member becomes aware of which is relevant to the ability of the Audit and Risk Committee to fulfil its responsibilities under this Charter.

The Audit and Risk Committee may delegate any of its responsibilities to the chairperson of the Audit and Risk Committee or a subset of its members from time to time and on such terms as the Audit and Risk Committee considers appropriate.

Last amended: December 2017

Last reviewed: December 2017

### **3. Composition**

The composition of the Audit and Risk Committee is prescribed by the Constitution. The Audit and Risk Committee must have a minimum of three Directors and a majority of those Directors must be independent Directors. At least one member must have an accounting or financial background.

No executive or Managing Director may be a member of the Audit and Risk Committee.

The Audit and Risk Committee members must elect a chairperson. The chairperson of the Board shall not be eligible to be chairperson of the Audit and Risk Committee.

A quorum shall be two members.

### **4. Company Secretary**

The Company Secretary, in conjunction with the Audit and Risk Committee chairperson, shall be responsible for the co-ordination of all Audit and Risk Committee business including meeting scheduling, agendas, distribution of Audit and Risk Committee papers, minutes and communication with the Board, management and auditors.

### **5. Procedural Requirements**

The Audit and Risk Committee should meet as frequently as is required in order to carry out its duties, and not less than twice annually.

The chairperson will call a meeting of the Audit and Risk Committee if requested to do so by any Audit and Risk Committee member, PFI's management or by PFI's external auditors.

Employees will only attend Audit and Risk Committee meetings at the invitation of the Audit and Risk Committee. Directors who are not members of the Audit and Risk Committee have a standing invitation to attend Audit and Risk Committee meetings. Any non-member Directors who are present at a meeting of the Committee may be asked to withdraw from any part of such meeting at the discretion of the Committee.

Management are expected to attend meetings of the Committee if invited but may be asked to withdraw from any part of such meeting at the discretion of the Committee.

### **6. Reporting**

Minutes of the meetings are to be recorded and circulated to all Directors.

The chairperson of each meeting of the Committee is required to report back to the Board on key points of discussion and present the recommendations of the Committee at the next scheduled meeting of the Board. In particular, the Committee should report to the Board on its assessment of:

- the performance and independence of PFI's external auditor;
- PFI's internal controls and systems that support external financial reporting; and
- material risks faced by PFI.

The chairperson should also ensure that the Board is made aware of any matters which may significantly impact on the financial condition or affairs of PFI and its business.

Last amended: December 2017

Last reviewed: December 2017

## 7. **Review of the Audit and Risk Committee**

The Board shall undertake an annual review of the Audit and Risk Committee's:

- objectives and activities in terms of its responsibilities as set out in this Charter; and
- performance against the requirements of this Charter.

## 8. **Role and Responsibilities**

The Constitution sets out the primary responsibilities of the Audit and Risk Committee. In addition the Committee should examine any other matters the Board may refer to it from time to time including:

### ***Financial Reporting***

- Reviewing PFI's financial reporting documents with the view to ensuring that PFI maintains accurate financial and accounting records.
- Reviewing earnings releases and financial reports.
- Providing its view on the appropriateness of management's selection of accounting policies and disclosures and considering whether these have been consistently applied and adequately disclosed.
- Reviewing and approving changes in significant or unusual transactions and accounting estimates.
- Assessing significant estimates and judgements made by management in the preparation of the financial statements.
- Conferring with management and the independent external auditor about PFI's financial reporting systems and financial reports.
- Understanding management's responsibilities and representations.

### ***Risks and controls***

- Providing its view on PFI's business and financial risk management process, having regard to the Committee's purpose as set out in section 1 of this Charter, including the adequacy of the overall control environment, independence from management and controls in selected areas representing significant risk.
- Overseeing PFI's system of internal controls for detecting accounting and financial reporting errors, fraud and defalcations, legal violations and non-compliance with PFI's Code of Ethics and Conduct.
- Reviewing findings and recommendations of the external auditor and responses from management.
- Overseeing PFI's compliance with health and safety in accordance with industry best practice.

### ***External and Internal Auditors***

- Recommending the appointment and removal of the independent auditor.
- Reviewing the engagement of and fees paid to external auditors.
- Overseeing the independent and internal auditing practices.
- Endeavouring to ensure direct communication with and unrestricted access to the independent auditor and any internal auditors or accountants.
- Meeting privately, at least once annually, with the independent auditor. In advance of any such meeting the Committee should advise and encourage the auditor to raise any concerns or complaints that they may have at the meeting, with the view to discussing and resolving those issues.

### ***Other***

Last amended: December 2017

Last reviewed: December 2017

- Regularly reviewing and updating the Audit and Risk Committee Charter as the Committee deems appropriate.
- Any other matters the Board may refer to it from time to time.

It is not the responsibility of the Audit and Risk Committee to conduct accounting or auditing reviews or procedures. Management therefore retains responsibility for the implementation and operation of adequate risk assurance, internal control and audit systems within PFI as well as for the preparation, presentation and integrity of the financial statements. The Committee has delegated authority from the Board to oversee and monitor these activities.

The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing and review standards.

Last amended: December 2017

Last reviewed: December 2017

## ANNEXURE – POLICY ON AUDIT INDEPENDENCE

### 1. **Policy Statement**

PFI will maintain Auditor Independence consistent with regulatory and NZX requirements and current best practice.

### 2. **Background**

Oversight of PFI's external audit arrangements is the responsibility of PFI's Audit and Risk Committee. Ensuring that external audit independence is maintained, both in fact and in appearance, is one of the key aspects in discharging this responsibility. This formal policy on audit independence has been adopted by the committee to meet this requirement.

This policy covers the following areas:

- provision of related assurance services by PFI's external auditors;
- auditor rotation;
- staffing guidelines; and
- relationships between the auditor and PFI.

### 3. **Approval of Auditor**

The Audit and Risk Committee is responsible for approving the appointment of PFI's external auditor(s) from a shortlist of firms who submit tenders for the position, as requested by the Audit and Risk Committee. Tenders will only be requested where the Audit and Risk Committee considers it is necessary.

The Audit and Risk Committee shall only approve a firm to be auditor if that firm:

- would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgment on all issues encompassed within the auditor's engagement;
- has not, within the two years preceding commencement of the appointment, had as a member of its New Zealand partnership any of PFI's Managing Director/Chief Executive Officer, CFO or any member of PFI's management who have financial oversight of PFI's business; and
- does not allow direct compensation of its audit partners for selling non-audit services to PFI.

### 4. **Responsibilities of PFI**

PFI is dedicated to ensuring that it receives high quality external audit services for the payment of fair commercial fees that reflect market rates.

Reports will be submitted to the Audit and Risk Committee on a regular basis detailing the external auditor's performance. The criteria for evaluating this performance will include the value derived for shareholders. Reports will include the level of fees paid to the external auditor, a breakdown of the fees paid for audit and non-audit services, fee benchmarking, independence and the cost effectiveness of the auditor.

If the Audit and Risk Committee is of the view that the level of fees being paid to the external auditor for non-audit services is of a level that could impair, or be perceived to impair, the independence of the external auditor then it may, at its discretion, restrict

Last amended: December 2017

Last reviewed: December 2017

the amount of non-audit work that the external auditor is engaged to provide.

#### **5. Annual monitoring of independence of the External Auditor**

The external auditors shall annually confirm in writing:

- their compliance with the professional standards and ethical guidelines of the Chartered Accountants Australia New Zealand to evidence their competence;
- that the total fees received by the external auditor from PFI do not have a material impact on its operations or financial condition;
- that PFI has not withheld fees from the external auditor;
- that there is no litigation between PFI and the external auditor;
- that the external auditor's partners and staff do not have any financial interest in PFI; and
- that there are no business relationships between PFI and their external auditor beyond the provision of external audit services or approved services provided pursuant to this policy.

Additionally, the Audit and Risk Committee will ensure that the PFI Board and PFI management do not place any unreasonable restrictions on PFI's external auditors. To allow the Audit and Risk Committee to monitor compliance with this requirement, the external auditor will report to the Audit and Risk Committee in writing, at the same time as it confirms its compliance with the above matters of independence, as to whether this requirement has, in the opinion of the external auditor, been met.

#### **6. Auditor Rotation**

The continued appointment of PFI's external auditors is to be confirmed annually by the Audit and Risk Committee.

Rotation of PFI's client service partner and the lead and concurring audit partners of PFI and its subsidiaries will be required every five years with suitable succession planning to ensure consistency. There is a mandatory two year stand down period to be completed before those partners can next be engaged by PFI.

#### **7. Provision of Non-audit Services by PFI's External Auditors**

The guidelines that follow are designed to ensure that related assurance services provided by PFI's auditors are not perceived as conflicting with the independent role of the auditor.

The general principles to be applied in assessing related assurance services are as follows:

- the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work;
- the external auditor should not perform any function of management or be responsible for making management decisions;
- the external auditor should not be responsible for the design or implementation of financial information systems; and
- the separation between internal and external audit should be maintained.

#### **8. Services permitted to be performed**

Last amended: December 2017

Last reviewed: December 2017

The Audit and Risk Committee must pre-approve all audit and related assurance services provided by the auditor.

However, approval will not ordinarily be granted for:

- design and implementation of key financial information systems and processes;
- valuation of assets and liabilities other than as required to complete regulatory audit requirements;
- liquidations and receiverships;
- services related to accounting records or financial statements; and
- tax planning, strategy and compliance services.

**9. Billing arrangements**

The billing arrangements for services provided by PFI's external auditors should not include any contingencies. Additionally, the fees for non-audit services provided by the external auditors should not exceed the fees for core audit services in any financial year.

**10. Staffing guidelines**

The hiring of any former audit partner or audit manager by PFI must first be approved by the Audit and Risk Committee. No former PFI employee will be engaged in an external audit role within two years of ceasing to be employed by PFI.

**11. Other procedural requirements**

Regardless of PFI's policies it is expected that PFI's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issued by the External Reporting Board, Chartered Accountants Australia and New Zealand, the NZX, the Financial Markets Authority and other relevant overseas accounting bodies).

Development of local and overseas practices with regard to related assurance services should be monitored on an ongoing basis to ensure that PFI's policies remain compliant with best practice.

PFI's external auditor will be expected to attend PFI's annual meeting of shareholders to answer questions from shareholders in relation to the audit.

Last amended: December 2017

Last reviewed: December 2017