

NZAI - Audit, Finance and Risk Management Committee Charter

1. Introduction

- 1.1 The Audit, Finance and Risk Management Committee (**Committee**) is a sub-committee of the board of directors (**Directors**, and the **Board**) of NZ Automotive Investments Limited (**NZAI**) and established by resolution of the Board. References to the **NZAI Group** in this charter mean NZAI and its subsidiaries.

2. Purpose and Objectives

- 2.1 The main purpose of the Committee is to assist the Board in providing oversight of matters relating to the quality and integrity of financial reporting, independence and performance of the external auditors, effectiveness and objectivity of the internal audit programme, and oversight of business risks and compliance activities.
- 2.2 The Audit, Finance and Risk Committee Charter (**Charter**) sets out the objectives of the Committee, which are to assist the Board in:
- 2.2.1 fulfilling its responsibilities for NZAI's financial statements and external financial reporting;
 - 2.2.2 ensuring that the ability and independence of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired;
 - 2.2.3 ensuring appropriate accounting policies and internal controls are established and maintained and assist the Board in ensuring the effective and efficient management of all business risks;
 - 2.2.4 ensuring an appropriate framework is maintained for the management of strategic and operational risk; and
 - 2.2.5 ensuring compliance with applicable laws, regulations, standards, codes of practice, and the requirements of the NZX Listing Rules (**Listing Rules**) (to the extent any such laws, regulations, standards, codes of practice, or Listing Rules requirements concern matters within the Committee's purpose).

3. Duties and Responsibilities

- 3.1 The responsibilities of the Committee are as follows:

Audit

- 3.1.1 Review and recommend to the Board for approval the appointment, or removal, of the external auditor consistent with the external auditor framework (**Framework**), attached as a schedule to the Charter.
- 3.1.2 Review and confirm the independence of the external auditor consistent with the Framework.
- 3.1.3 Review and approve, as necessary, services to be provided by the external auditor consistent with the Framework and any related fees.
- 3.1.4 Confirm the independence of NZAI's audit team through ensuring that no former NZAI Group employee is engaged in an external audit role for NZAI (within two years of leaving the NZAI Group) and ensure that audit partners or audit managers are not employed without prior approval of the Committee.
- 3.1.5 Meet as frequently as required to monitor and review the external, and any internal auditing practices, and oversee and monitor the performance of the external auditors.
- 3.1.6 Review and recommend to the Board for approval, the annual and any interim audit plan of the external auditor.

- 3.1.7 Ensure that the recommendations highlighted in audit reports are considered, and if appropriate, actioned by management.
- 3.1.8 Ensure that the key audit partner is changed at least every five years.

Internal audit programme

- 3.1.9 Review the scope, functions and performance of the internal audit programme.
- 3.1.10 Review any significant matters reported by the internal audit programme and managements response.
- 3.1.11 Ensure that there is direct communication with the internal audit programme.
- 3.1.12 Ensure that the internal audit programme is adequately resourced.

Financial Reporting

- 3.1.13 Review and recommend to the Board for approval, NZAI's half year and annual financial statements, including consideration and review of:
- (a) all audit reports related to the financial statements;
 - (b) all audit findings;
 - (c) all representations from management;
 - (d) the public releases of financial information to the media and market, including the adequacy of information to shareholders, stakeholders and analysts;
 - (e) the areas of significant judgement, estimation or uncertainty in the financial reports;
 - (f) the integrity of the annual and half year financial statements and whether the financial reports represent a true and fair view in all material respects, of NZAI's financial position;
- 3.1.14 To advise Directors as to whether NZAI's half year and annual financial statements comply with applicable laws and regulations.

Financial Management

- 3.1.15 Ensure that financial management processes are in place, and monitor the use of those processes, so that the Board is adequately and regularly informed on corporate financial matters including but not limited to treasury and capital structure.
- 3.1.16 Review the NZAI Group's accounting and financial management policies and recommend to the Board for approval, any changes to these policies.
- 3.1.17 Assess whether there are adequate controls over special or complex transactions.
- 3.1.18 Oversee compliance with statutory responsibilities relating to financial reporting and other accounting or finance related requirements, as well as oversee compliance with contractual obligations and covenants in relation to financing arrangements.
- 3.1.19 Oversee tax management and compliance.
- 3.1.20 Review the frequency and significance of all transactions between NZAI and related parties and assessment of their propriety.

Risk Management

- 3.1.21 Ensure that management is implementing, and reporting to the Committee on, the NZAI Group's risk management framework (including the maintenance of the NZAI Group's risk register) and policies.
- 3.1.22 Monitor corporate risk assessments and the internal controls instituted.
- 3.1.23 Ensure that these assessments, policies and controls adequately cover key financial risk areas such as treasury and interest rate risk, project risks, foreign currency exchange risk, health and safety risks and other relevant ESG factors.
- 3.1.24 Report to the Board on the development of existing risks and the emergence of new risks.
- 3.1.25 Report to the Board on the main risks to the NZAI Group's performance, how these main risks are being managed under the NZAI Group's risk management framework and on any incident involving fraud or other breakdown of internal controls.
- 3.1.26 Recommend to the Board in relation to NZAI's insurance programme, having regard to the NZAI Group's business and in the insurable risks associated with the NZAI Group's business.
- 3.1.27 Recommend to the Board whether the risk management processes as a whole are sufficient.

General

- 3.1.28 Monitor management's response and actions to any reported areas of regulatory or other non-compliance.
- 3.1.29 Examine and, as necessary, supervise the investigation of any matters referred to the Committee by the Board and report to the Board on these matters.
- 3.1.30 Establish and review the schedule of annual activities of the Committee.

4. Internal audit functions

- 4.1 NZAI's internal audit programme has the following functions:
 - 4.1.1 generate reports for the use of management;
 - 4.1.2 monitor and evaluate internal controls, the effectiveness of the NZAI Group's risk management and identify any shortfalls in processes; and
 - 4.1.3 report to the Committee on any significant identified matters.

5. Committee composition

- 5.1 The composition of, appointment and removal of members to, the Committee shall be responsibility of the Board and there must be at any time a minimum of three members who are solely non-executive Directors:
 - 5.1.1 at least a majority of whom are independent Directors;¹ and
 - 5.1.2 at least one Director with an accounting or financial background.
- 5.2 A member of the Committee will be deemed to have adequate accounting or financial background if they:
 - 5.2.1 are a member of Chartered Accountants Australia and New Zealand, or has held a Chief Financial Officer position at an "Issuer" for a period of greater than 24 months; or

¹ An "Independent Director" is defined in the NZX Listing Rules as a Director who is not an Employee of the Issuer (other than in his/her capacity as Director of the Issuer) and who has no Disqualifying Relationship with the Issuer.

- 5.2.2 has successfully completed a course approved by NZX for Audit and Risk Committee membership; or
- 5.2.3 has the experience and/or qualifications deemed satisfactory by the Board.
- 5.3 All Committee members must be financially literate.
- 5.4 The membership of the Committee shall be reviewed annually by the Board and confirmed after the first Board meeting after the annual meeting each year. Membership of the Committee will be identified in NZAI's annual report.
- 6. Committee Chair**
- 6.1 The Board shall appoint a Chair for the Committee (**Committee Chair**) from among the members of the Committee and the Committee Chair must not be the chair of the Board.
- 6.2 The Committee Chair is preferably independent and should not have a longstanding association with NZAI's external audit firm as a current, or retired, audit partner or senior manager at that firm.^{2 3}
- 7. Committee meetings**
- 7.1 Meetings shall be held not less than three times a year having regard to NZAI's reporting and audit cycle.
- 7.2 Any member of the Committee, the Chief Executive Officer (**CEO**), the Chief Financial Officer (**CFO**), or the external auditors may request a meeting at any time if they consider it necessary.
- 7.3 A quorum of members of the Committee is two and no business may be transacted at a meeting of the Committee unless a quorum is present.
- 7.4 The Committee may have in attendance such members of management and other persons including external advisers, as it considers necessary to provide appropriate information and explanations on relevant matters. Executives and employees may only attend Committee meetings at the invitation of the Committee.
- 7.5 All Directors may attend each Committee meeting by standing invitation.
- 7.6 Reasonable notice of Committee meetings and the business to be conducted shall be given to the members of the Committee, all other members of the Board and all other attendees of meetings.
- 7.7 The secretary of the Committee shall be appointed by the Board and will take minutes of all Committee meetings. These minutes will be kept and made available on request to the secretary of the Committee.
- 8. Independent Advice**
- 8.1 The Committee is authorised by the Board, at NZAI's expense, to obtain such outside legal or other independent information or advice from outside advisers with relevant experience and expertise, as it thinks necessary for carrying out its responsibilities.
- 9. Communication and Reporting**
- 9.1 The Committee shall maintain direct lines of communication with the external auditors, the CEO, the CFO, any internal auditors and with management generally.
- 9.2 The CEO and the CFO each shall:

² If Recommendation 3.1 of the NZX Corporate Governance Code is not complied with NZAI will provide an explanation on its website or in its annual report.

³ A Committee Chair will generally be perceived to be independent if there has been a period of at least three years between previously being employed by the external audit firm and serving as Committee Chair.

- 9.2.1 draw the Committee's immediate attention to any material matter that relates to the financial condition of NZAI, any material breakdown in internal controls, and any event of fraud or malpractice; and
- 9.2.2 inform the Committee of any material communication between the external auditors, internal auditors and the NZAI Group's management.
- 9.3 Following each Committee meeting, the Committee Chair shall report to the Board, at the Board's next meeting, the Committee's findings and recommendations.
- 9.4 Minutes of all Committee meetings are kept and are circulated to the members of the Board, the CEO and the CFO, and can be made available to others as the Board directs.

10. **Delegated Authority**

- 10.1 The Committee is authorised by the Board to deal with matters as set out in paragraph 3 of the Charter, and may:
 - 10.1.1 submit recommendations for consideration by the Board or make decisions on matters for which decision-making authority has been specifically delegated by the Board; and
 - 10.1.2 submit recommendations for consideration by the Board on matters for which decision-making authority has not been delegated by the Board.
- 10.2 Other than those specifically delegated functions and responsibilities, the Committee does not take actions or make decisions on behalf of the Board.

11. **Publication**

- 11.1 The Charter is available on NZAI's website, <https://www.nzautomotiveinvestments.co.nz>.

12. **Review**

- 12.1 The Committee shall undertake an annual self-review of its objectives and responsibilities and of its terms of reference and performance having regard to:
 - 12.1.1 the purpose, objectives, duties and responsibilities of the Committee as set out in the Charter; and
 - 12.1.2 best practice corporate governance standards including but not limited to the NZX Corporate Governance Code or its current equivalent (as applicable).
- 12.2 Such objectives, responsibilities and Committee performance shall also be reviewed by the Board.
- 12.3 The Charter will be reviewed annually by the Committee.

Date adopted: 25 February 2021

Schedule – External Auditor Framework (Framework)

1. Introduction

1.1 This Framework aims to ensure the acceptable quality of independent external auditors and any of their related services. The purpose of implementing the Charter and the Framework is to maintain the integrity of NZAI's external financial reporting.

2. Relationship with NZAI

2.1 There should be no relationship between the external auditor and the NZAI Group (or its Board or management). The Committee shall require the external auditor to confirm to the Board, annually and in writing, its independence and that it has complied with all professional regulations relevant to auditor competency and independence.

2.2 The external auditor shall not, within two years prior to the commencement of the external audit, had within its engagement team the CEO, the CFO or any member of the NZAI Group's senior management who acts in a financial oversight role.

3. Communication and meetings

3.1 The Committee shall maintain direct lines of communication with the external auditor, the CEO, the CFO, any internal auditors and with management generally. Any member of the Committee, the CEO, the CFO, or the external auditors may request a meeting at any time if they consider necessary.

3.2 The external auditor may be invited to attend, at least in part, meetings of the Committee and there shall be an opportunity at those meetings for the Committee to speak with the external auditor without the CEO, CFO or management present.

3.3 The Committee shall ensure that NZAI's external auditor attends NZAI's annual meeting and that they are available to answer relevant questions from investors.

3.4 In accordance with the Charter the Committee shall monitor, and when appropriate report to the Board on, external audit quality, identified threats to external auditor independence and management of any identified threats.

4. Rotation

4.1 Rotation of the external auditor is required at least every five years and the Board is to approve the continued engagement of the external auditor on annual recommendation by the Committee.⁴

5. Permitted services

5.1 The following general principles are to be applied in assessing the acceptability of services provided by the external auditor:

5.1.1 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.

5.1.2 The external auditor should not perform any function of management, nor be responsible for making management decisions. This includes responsibility for the performance of the internal audit functions.

5.1.3 The external auditor should not be an advocate of NZAI.

5.2 The Committee must approve all audit and related assurance services provided by the external auditor, except those for less than \$10,000 total fee (excluding GST) per individual instruction, which can be

⁴ As required by NZX Listing Rule 2.13.3(f).

approved by the CEO or the CFO and reported to the Committee at its next meeting. The Committee must approve all audit and related assurance services provided by the external auditor that exceed \$30,000 in aggregate during a relevant financial year.

5.3 The Committee Chair must approve and authorise the provision of services by the external auditors outside the permitted services identified in paragraph 5.4 and in that event the Committee Chair must notify the Board at the next scheduled Board meeting.

5.4 Services permitted to be performed include but are not limited to:

5.4.1 Statutory audits of the financial statements of the NZAI Group required to be audited for the auditors to render an opinion with respect to the audit.

5.4.2 Limited reviews of the half year results and financial position of NZAI.

5.4.3 Procedures required to be performed by an independent auditor to be able to form an opinion on the consolidated financial statements.

5.4.4 General assistance with understanding auditing standards and, as applicable, any regulatory rules.

5.4.5 Other services where the general principles outlined above at paragraph 5.1 are complied with and there is a clear advantage of using the audit firm through existing knowledge of the NZAI business.

6. **Non-permitted services**

6.1 It is not considered appropriate for the external auditor to provide:

6.1.1 Services related to the accounting records or financial statements of NZAI.

6.1.2 Internal audit services.

6.1.3 Tax planning advice.