

## NZAI - Code of Corporate Governance

NZ Automotive Investments Limited (**NZAI**, **we** and **our**) has adopted a code of corporate governance based on the 8 principles of the NZX Corporate Governance Code (**Code**). References to the **NZAI Group** in this document mean NZAI and its subsidiaries.

### 1. Principle 1 – Ethical Standards

- 1.1 NZAI has adopted a written code of ethics (**Code of Culture and Ethical Behaviour**). This is a statement of our core values. The Code of Culture and Ethical Behaviour set out explicit expectations for ethical decision making and personal behaviour for the board of directors (**Directors**, and the **Board**) and employees. Key areas it covers include:
  - 1.1.1 Acting honestly and with high standards of personal and professional integrity.
  - 1.1.2 Dealing with and proactively advising on conflicts of interest, including any circumstances where a Director may/may not participate in a Board discussion, and voting on matters in which a Director has a personal interest.
  - 1.1.3 Proper use of an entity's property and/or information, including not taking advantage of the entity's property or information for personal gain, except as permitted by law.
  - 1.1.4 In the case of Directors, giving proper attention to the matters before them.
  - 1.1.5 Acting honestly and in the best interests of NZAI, as required by law, and taking account of interests of shareholders and other stakeholders.
  - 1.1.6 Not participating in illegal or unethical activity.
  - 1.1.7 Fair dealing with customers, shareholders, clients, employees, suppliers, competitors and other stakeholders.
  - 1.1.8 Adhering to procedures to prevent and address improper payments (e.g. facilitation payments and bribes).
  - 1.1.9 Complying with applicable laws and regulations.
  - 1.1.10 Reporting unethical decision-making and/or behaviour.
  - 1.1.11 Conduct expected of both NZAI's management (**Management**) and the Board for responding to and supporting whistleblowing.
- 1.2 The Code of Culture and Ethical Behaviour includes internal reporting procedures for any breach of ethics, including a statement about how breaches will be dealt with.
- 1.3 NZAI will communicate the Code of Culture and Ethical Behaviour to all of the NZAI Group's employees and contractors at the time of their engagement, and supports employee's compliance with the Code of Culture and Ethical Behaviour with training and clear procedures.
- 1.4 NZAI publishes the Code of Culture and Ethical Behaviour on our website and serious breaches are reported to the Board.
- 1.5 The Board reviews the Code of Culture and Ethical Behaviour every two years (or more frequently as it shall decide). The Board will ensure that Directors, executives and other personnel are held accountable for unethical behaviour.
- 1.6 As part of encouraging ethical behaviour, NZAI has a Financial Products Dealing Policy which applies to employees, contractors and Directors.

## 2. **Principle 2 – Board Composition and Performance**

- 2.1 The Board operates under a written charter that sets out the roles and responsibilities of the Board (**Board Charter**). The Board Charter distinguishes and discloses the respective roles and responsibilities of the Board and Management.
- 2.2 Directors are ultimately appointed by our shareholders and to ensure an effective board that complies with the NZX Listing Rules there will be a minimum of three directors at any one time, at least two of whom are ordinarily resident in New Zealand. While NZAI is listed on the NZX Main Board, it shall have not less than the minimum number of independent directors prescribed by the NZX Listing Rules.<sup>1</sup> The chair of the Board (**Chair**) is also an independent Director.
- 2.3 NZAI has a procedure for the nomination and appointment of new directors to the Board.
- 2.4 The Chair is responsible for fostering a constructive governance culture and ensuring Directors and Management apply appropriate governance principles.
- 2.5 The Board expects Directors to make the necessary time commitment to be effective in their role. The Board allocates time and resources for Directors to gain and retain a sound understanding of their responsibilities. NZAI will enter into written agreements with each newly appointed Director establishing the terms of their appointment, and the new appointees will have a comprehensive induction. All Directors undertake ongoing training as required to remain current on how to best to perform their duties as Directors of NZAI.
- 2.6 The Board has formal processes for evaluating their performance, and that of Board Committees, individual Directors and the Chair. This includes formal, regular reviews of the Chair.
- 2.7 Reporting includes information about each Director contained in NZAI's annual report or on our website. This includes a profile of their experience, length of service, independence and ownership interests in the entity and Director attendances at Board meetings. It also includes information on the Board's appointment, training and evaluation processes.
- 2.8 NZAI has a written Diversity and Inclusion Policy that includes requirements for the Board (or a relevant committee of the Board set up for this purpose) to set measurable objectives for achieving diversity (which, at a minimum, addresses gender diversity) and to assess annually both the objectives and NZAI's progress in achieving them.

## 3. **Principle 3 – Board Committees**

- 3.1 The Board Committees have a clear, formal term of reference setting out their role and delegated responsibilities. Those terms of reference make clear the function of the Committee is not to replace the ultimate decision-making authority of the full Board.
- 3.2 The terms of reference and membership of each Board Committee are available on NZAI's website.
- 3.3 Committee proceedings are reported back to the Board to allow other Directors to question Committee members, and any Board members are allowed to attend Committee meetings (subject to Committee composition requirements set out below).
- 3.4 NZAI currently has three Committees: Audit, Finance and Risk Management Committee, Remuneration Committee and Disclosure Committee.
- 3.5 The Audit, Finance and Risk Management Committee has the following responsibilities:
- 3.5.1 Recommending the appointment and removal of external auditors.
  - 3.5.2 Overseeing all aspects of the NZAI-audit firm relationship.

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<sup>1</sup> 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.

- 3.5.3 Promoting integrity and transparency in financial reporting.
  - 3.5.4 Ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters.
  - 3.5.5 Meeting as frequently as required to monitor and review the independent and internal auditing practices.
  - 3.5.6 Having direct communication with and unrestricted access to the independent and any internal auditors or accountants.
  - 3.5.7 Reviewing the NZAI's financial reports and advising all Directors whether they comply with the appropriate laws and regulations.
  - 3.5.8 Liaising with the external auditors on behalf of the Board and ensuring the independence of the auditors is not impaired, or could reasonably be perceived to be impaired.
  - 3.5.9 Monitoring and reviewing NZAI's accounting policies, internal controls and related matters.
  - 3.5.10 Verifying that the NZAI Group has appropriate processes to identify and manage potential and relevant risks.
  - 3.5.11 Ensuring that the key audit partner is changed at least every five years.
- 3.6 Receiving and reviewing reports about the NZAI Group's risk management framework and internal controls (including in relation to health and safety). As required under the NZX Listing Rules, the Audit, Finance and Risk Management Committee comprises:
- 3.6.1 Solely of non-executive Directors.
  - 3.6.2 At least one Director with an accounting or financial background.
  - 3.6.3 A chair who preferably is independent and who is not also the Chair.
  - 3.6.4 A minimum of three members with a majority that are independent Directors.
- 3.7 The chair of the Audit, Finance and Risk Management Committee should not have a longstanding association with the external audit firm, either as a current or retired audit partner or senior manager at the firm.
- 3.8 The Remuneration Committee has the following responsibilities:
- 3.8.1 Assisting the Board in the establishment of the remuneration policies and practices for the NZAI Group.
  - 3.8.2 Reviewing the annual performance appraisal of the Chief Executive Officer (**CEO**) (which is undertaken by the Chair) as well as reviewing the performance appraisals of their direct reports who together with the CEO and the Chief Financial Officer (**CFO**) make up the senior management team of NZAI (**Senior Management Team**).
  - 3.8.3 Reviewing the remuneration of the CEO and the Senior Management Team, and the design and operation of any incentive plans, and making appropriate recommendations to the Board.
  - 3.8.4 Reviewing Director remuneration and making appropriate recommendations to the Board.
  - 3.8.5 Recommending Director appointments to the Board.
- 3.9 The Remuneration Committee comprises:
- 3.9.1 A minimum of three members with at least a majority that are independent Directors.

3.9.2 A chair who preferably is an independent Director.

3.10 The Disclosure Committee is responsible for overseeing NZAI's compliance with the Continuous Disclosure Policy and comprises the CEO, CFO and the Chair.

3.11 The Board will from time to time consider whether it is appropriate to have any other Board committees as standing board committees and, if so, establish that committee and a written charter under which the committee will operate.

#### 4. **Principle 4 – Reporting and Disclosure**

4.1 The Board has a rigorous process to ensure the quality and integrity of financial statements and nonfinancial reporting.

4.2 NZAI's financial reporting and annual report (in addition to all information required by law) includes sufficient meaningful information to enable all shareholders to be well informed. We strive to make our financial reports balanced, clear, concise, objective and effective, while meeting the requirements of financial reporting standards.

4.3 The Board determines the appropriate level of non-financial reporting, considering the interests of their stakeholders and material exposure to environmental, social and governance (ESG) factors. NZAI maintains an effective system of internal control for reliable financial and non-financial reporting and accounting records.

4.4 The Board requires Management to provide it with information of sufficient content, quality and timeliness, as the Board considers necessary, to allow the Board to effectively discharge its duties. Management provides formal Board papers one week in advance of Board meetings. A formal process is followed, including representations and certifications from the Senior Management Team, to ensure that NZAI's financial statements comply with international financial reporting standards as applied in New Zealand and fairly represent the financial affairs of NZAI.

4.5 NZAI provides timely and adequate disclosure of information on matters of material impact to shareholders and will comply with all requirements for reporting of an NZX listed entity. As part of the foregoing, the Board has a written Continuous Disclosure Policy that explains how it complies with its continuous disclosure obligations to ensure all investors have access to relevant information.

4.6 Directors explain their role in preparing the annual report, and in preparing financial statements that comply with relevant laws and accounting standards.

4.7 NZAI makes its Code of Culture and Ethical Behaviour, Board and committee charters, and the policies recommended in the Code, ESG reporting and other governance documents readily available to stakeholders on NZAI's website.

#### 5. **Principle 5 - Remuneration**

5.1 The Board has a clear policy for setting executive remuneration of Directors and officers, which outlines the relative weightings of remuneration components and relevant performance criteria. Remuneration is fair and reasonable, and competitive in the market for the skills, knowledge and experience required. NZAI believes all employees should have the opportunity to reach their potential and thrive in an inclusive and diverse workplace. The Board monitors established reporting and trend analysis on age profile, gender profile and employment tenure.

5.2 The Board is committed to a policy that the remuneration of Directors and Management be transparent, fair and reasonable, as set out in NZAI's Remuneration Policy. No executives decide their own remuneration.

- 5.3 NZAI's Remuneration Committee recognises that market forces necessarily influence remuneration practices and it strongly believes the fundamental driver of remuneration outcomes should be business performance. It also believes that overall remuneration should be both fair to the individual, such that remuneration levels accurately reflect executives' responsibilities and contributions. The positioning and relativities of pay and employment conditions across the wider workforce will also be taken into consideration.
- 5.4 The Board recognises the importance of full, fair and transparent disclosure of the CEO's remuneration and this is fully disclosed in the annual financial statements. This disclosure includes the base salary, any short term incentives and any long term incentives and the performance criteria used to determine any performance based payments.
- 5.5 The remuneration of the Senior Management Team is made up of a base salary and may comprise a performance incentive related payment which is dependent on the performance of the NZAI Group and attainment of agreed objectives.
- 5.6 The shareholders by ordinary resolution from time to time set a total maximum aggregate annual amount payable to the Directors in their capacity as Directors in a transparent manner. That aggregate sum is divided among the Directors as they consider appropriate. The fees paid to each of the Directors in the previous financial year will be detailed in the Directors' interests section of NZAI's next annual report.

## **6. Principle 6 – Risk Management**

- 6.1 The Board actively contributes to the formulation of the business strategy and tracks progress against it.
- 6.2 The Board ensures there are rigorous risk management processes and internal controls in place.
- 6.3 The Board receives and reviews reports about the risk management framework and internal control processes throughout the year via the Audit, Finance and Risk Management Committee. Material risks are formally communicated to the Board when required.
- 6.4 Board reports include a copy of the NZAI Group's risk register and highlight the main risks to the NZAI Group's performance and the steps being taken to manage them. We include a copy of the risk register in the Board pack. It is updated periodically or as required.
- 6.5 Health and safety risks are key part of the risk management process and internal controls, and there should be reports on the NZAI Group's health and safety risks, performance and management.

## **7. Principle 7 - Auditors**

- 7.1 The Board has a good working knowledge of the responsibilities of the external auditors and will ensure there is a framework for NZAI's relationship with its external auditors. The framework (included as a schedule to the Audit, Finance and Risk Management Committee Charter) includes procedures:
- 7.1.1 For sustaining communication with NZAI's external auditors.
- 7.1.2 To ensure that the ability of the external auditors to carry out their statutory audit role is not impaired, or could reasonably be perceived to be impaired.
- 7.1.3 To address what, if any, services (whether by type or level) other than their statutory audit roles may be provided by the auditors to NZAI.
- 7.1.4 To provide for the monitoring and approval by the NZAI's Audit, Finance and Risk Management Committee of any service provided by the external auditors to NZAI other than in their statutory audit role.

- 7.2 The Board will also ensure that a proper process is conducted for the appointment of an appropriately qualified and experienced audit firm, and ensure that there is no relationship between the auditor and the NZAI Group (or any related person) that could compromise the auditor's independence.
- 7.3 The Board facilitates regular and full dialogue between its Audit, Finance and Risk Management Committee, external auditors and Management. The Audit, Finance and Risk Management Committee has time set aside each year with the external auditors to discuss the performance of Management.
- 7.4 The Board ensures that the annual external audit is not led by the same audit partner for more than five consecutive years.
- 7.5 Negotiations for the annual audit fee are managed by the Audit, Finance and Risk Management Committee. There is input from the NZAI Group's Management but the final decision is made by the Board.
- 7.6 The Board prepares and files financial reports as required under relevant legislation. The Board reports in its annual report, the fees paid to their audit firm. This report differentiates between audit fees and fees for individually identified non-audit work.
- 7.7 Where applicable, the Board explains in the annual report the non-audit work their audit firm carried out, and why the work did not compromise auditor objectivity and independence. They also explain:
  - 7.7.1 How they satisfied themselves about auditor quality and effectiveness of the audit.
  - 7.7.2 Their approach to tenure and reappointment of auditors.
  - 7.7.3 Any threats to auditor independence and how those threats were mitigated.
- 7.8 The auditor should attend NZAI's annual meeting to answer questions from shareholders in relation to the audit.
- 7.9 The Board also ensures that NZAI discloses:
  - 7.9.1 if it has an internal audit function, how the function is structured and what role it performs; or
  - 7.9.2 if it does not have an internal audit function, the fact and the process it employs for evaluating and continually improving the effectiveness of its risk management and internal processes.

## **8. Principle 8 – Shareholder Rights & Relations**

- 8.1 NZAI maintains a positive and proactive relationship with its shareholders and actively encourages shareholders to engage directly with NZAI (including electronically).
- 8.2 The annual report is provided directly to shareholders and it includes audited financial statements and other details which are required to permit an informed assessment of NZAI's performance and financial position during the reporting period.
- 8.3 The half year reporting contains unaudited information and NZAI publishes up-to-date information, on NZAI's website providing:
  - 8.3.1 A comprehensive description of its business and structure.
  - 8.3.2 Commentary on its goals, strategies and performance.
  - 8.3.3 Key corporate governance documents.
- 8.4 NZAI has a clear focus on the needs of our key stakeholders (including customers, employees and the community) and recognises it is critical to meet their needs to ensure we have a successful business.
- 8.5 The Board also has a focus on ensuring the following:

- 8.5.1 Shareholders should have the right to vote on major decisions which may change the nature of NZAI in which they are invested.
- 8.5.2 If NZAI seeks additional equity capital, NZAI should offer further equity securities to existing shareholders of the same class on a pro rata basis, and on no less favourable terms, before further equity securities are offered to other investors. If NZAI raises capital by a means other than a pro rata offer (e.g. a private placement), NZAI will explain why such capital raising method was preferred when next reporting against the Code.
- 8.5.3 Any notice of annual or special meetings of shareholders is posted on NZAI's website as soon as possible and at least 20 working days prior to the meeting.

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