

## AUDIT AND RISK COMMITTEE CHARTER

### 1. Organisation

- 1.1 The Audit & Risk Committee (the **Committee**) is a committee of the board of Directors (the **Board**) of Investore Property Limited (**Investore**), with the power only of recommendation to the Board for final decisions.
- 1.2 Membership on the Committee will comprise solely of non-executive Directors.
- 1.3 The minimum number of Committee members will be three.
- 1.4 The Chair of the Committee is appointed by the Board and may not be the Chair of the Board.
- 1.5 At least two Directors on the Committee must be Independent of the Manager (as defined in the Board Charter), with Stride Investment Manager Limited as the manager (**Manager**). A majority of the Committee must be Independent Directors (as defined in the NZX Listing Rules).
- 1.6 All Committee members will be financially literate, and at least one member will have accounting or related financial management expertise.
- 1.7 The members of the Committee will be selected by the Board from time to time. The Board may appoint additional Directors to the Committee, or remove or replace members of the Committee by resolution.
- 1.8 Members of the Committee will be identified in Investore's Annual Report and on Investore's website.

### 2. Meetings

- 2.1 Meetings of the Committee will be held at least twice a year having regard to Investore's reporting and audit cycle. Additional meetings may be held at the discretion of the Chair of the Committee or if requested by any Committee member or the external auditor.
- 2.2 A quorum will be two members.
- 2.3 The Company Secretary of the Manager will act as secretary to the Committee, however the Chair of the Committee may nominate who will act as secretary for a specific committee meeting.
- 2.4 The Committee will have in attendance, such representatives from the Manager, external auditor, insurance brokers and other advisors, as it may be deemed necessary to provide appropriate information or explanation and will attend at the invitation of the Committee.
- 2.5 Directors who are not members of the Committee have the right to attend meetings of the Committee.
- 2.6 The Manager and the external auditor have a standing invitation to attend any meeting of the Committee, but may be excluded from a Committee meeting at the request of the Chair of the Committee as considered necessary. The Chief Executive Officer and the Chief Financial Officer of the Manager are expected to attend all meetings of the Committee, except where excluded at the request of the Chair of the Committee.

### **3. Purpose of the Committee and the Role of the Manager**

3.1 The Committee will provide assistance to the Board in fulfilling its responsibility to investors, potential investors, and the investment community, in relation to corporate accounting, reporting practices of Investore, and the quality, integrity and transparency of the financial reports of Investore. In so doing, it is the responsibility of the Committee to maintain free and open communication between the Directors, the external auditors and the Manager.

3.2 In carrying out its responsibilities, the Committee believes its policies and procedures should remain flexible, in order to best respond to changing conditions and to ensure, for the benefit of the Directors and investors, that the corporate accounting and reporting practices of Investore are in accordance with all requirements and are of the highest quality.

3.3 The Manager is primarily responsible for the implementation and operation of risk management including internal control and audit systems.

### **4. Committee Responsibilities**

4.1 Subject to the Committee's delegation in clause 1.1, the Committee provides governance oversight in the following areas:

- a) Financial Reporting;
- b) Audit Functions; and
- c) Risk Management Functions.

4.2 The Committee will have all necessary access to, and the authority of the Board to seek any information it requires from the Manager to fulfil its function, duties and responsibilities. The Manager will be directed to co-operate with any request made by the Committee.

4.3 The Committee will have direct communications with, and unrestricted access to the internal auditors (if any) and external auditors.

4.4 The Committee is authorised by the Board, at the expense of Investore, to obtain independent professional advice and expertise if it considers this necessary.

### **5. Financial Reporting**

5.1 In carrying out its financial reporting responsibilities, the Committee will:

- a) review the financial statements contained in the Annual Report with the Manager and the external auditors to determine that the external auditors are satisfied with the disclosure and content of the financial statements to be presented to the investors;
- b) review with the Manager and the external auditors the results of their analysis of significant financial reporting issues and practices, including changes in, or adoptions of, accounting principles and disclosure practices, and discuss any other matters required to be communicated to the Committee by the auditors;

- c) review with the Manager and the external auditors their judgments about the quality, not just acceptability, of accounting principles and the clarity of the financial disclosure practices used or proposed to be used (including whether sufficient, meaningful information has been provided to enable investors and stakeholders to be well informed), and particularly, the degree of aggressiveness or conservatism of the organisation's accounting principles and underlying estimates, and other significant decisions made in preparing the financial statements;
- d) review financial reports before they are issued to the market and advise the Board whether they comply with appropriate laws and regulations; and
- e) recommend to the Board for adoption significant changes in accounting policies and annual and six-monthly financial statements.

## 6. Audit Functions

6.1 In carrying out its audit responsibilities, the Committee will:

- a) meet with the external auditors and the Manager to review the scope of the proposed audit and half year review for the current year and the procedures to be utilised, the adequacy of the external auditor's compensation and at the conclusion thereof, review such audit or review, including any comments or recommendations of the external auditors;

- b) review reports received from regulators and other legal and regulatory bodies, including matters that may have a material effect on the financial statements or related company compliance policies;
- c) review the internal audit function of Investore (if any) including the independence and authority of its reporting obligations, the proposed audit plans for the coming year and the coordination of such plans with the external auditors;
- d) receive on a regular basis a summary of findings from any completed internal audits and a progress report on the internal audit plan (if any), with explanations for any deviations from the original plan;
- e) report the results of the annual audit to the Board, including whether the financial statements comply with applicable laws and regulations. If requested by the Board, invite the external auditors to attend the full Board meeting to assist in reporting the results of the annual audit or to answer other Directors' questions (alternatively, the other Directors, particularly the other Independent Directors, may be invited to attend the Committee meeting during which the results of the annual audit are reviewed);
- f) review the nature and scope of other professional services provided to Investore by the external auditors and consider the relationship to the auditors' independence;

- g) on an annual basis, assess and confirm to the Board the independence of the external auditor, consistent with the Audit Independence Guidelines **attached** at Appendix A;
- h) make recommendations to the Board as to the appointment or discharge of external auditors;
- i) establish the external auditor's fees, subject to shareholder approval;
- j) on a quarterly basis, review and monitor the ratio of non-audit to audit fees consistent with the Audit Independence Guidelines **attached** at Appendix A; and
- k) ensure the external auditor or lead partner is changed at least every five years, consistent with the Audit Independence Guidelines **attached** at Appendix A.

## 7. Risk Management Functions

7.1 The Board is responsible for risk management generally and delegates this responsibility to the Manager.

7.2 In carrying out its risk management responsibilities, the Committee will:

- a) ensure that the Manager has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key business risks;
- b) review the procedures of identifying business risks and controlling their financial impact on Investore;

- c) review the Manager's reports, the external auditor's report and any internal auditor's reports on the effectiveness of systems for internal control, financial reporting and risk management;
- d) ensure that the Board regularly reviews reports on the principal business risks at least annually (including any developments in relation to key risks); and
- e) review key insurance policy terms and cover adequacy and make recommendations to the Board for adoption of the insurance cover.

## 8. Governance of the Committee

8.1 The Committee will:

- a) obtain the full Board's approval of this Charter and review and reassess this Charter (at least annually);
- b) have its performance regularly reviewed by the Board (at least annually);
- c) inform itself and the Board fully on the responsibilities of external auditors and review and recommend to the Directors the external auditors to be selected based on professional merit, to audit the financial statements of Investore and its subsidiaries;
- d) have a clear understanding with the external auditors that they are ultimately accountable to the Board and the Committee, as the shareholders' representatives, who have the ultimate authority in deciding to engage, evaluate and, if

appropriate, terminate their services;

- e) provide sufficient opportunity for the external auditors to meet with the members of the Committee without the Manager present. Among the items to be discussed in these meetings are the external auditors' evaluation of the Manager's financial, accounting and auditing personnel in relation to Investore, and the cooperation that the external auditors received during the course of the audit;
- f) submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board; and
- g) investigate any matter brought to its attention within the scope of its duties, with the power to retain outside counsel for this purpose if, in its judgment, that is appropriate.

8.2 Committee agenda and minutes will be distributed to all Board members regardless of whether they are members of the Committee.

## **9. Accountability and Review**

9.1 The Board will annually review the Committee's performance against this Charter, and the Committee and Board will review the Charter from time to time as it considers appropriate.

9.2 The Charter was last reviewed and approved by the Board in November 2019.



## ■ APPENDIX A - AUDIT INDEPENDENCE GUIDELINES

### 1. Introduction

- 1.1 Investore is required to comply with the NZX Listing Rules and will therefore maintain external financial auditor independence consistent with the requirements of the NZX Listing Rules and best practice.

### 2. Purpose

- 2.1 The purpose of the Audit Independence Guidelines ('**Guidelines**') is to ensure that audit independence is maintained, both in fact and appearance, so that Investore's external financial reporting is both reliable and credible. This Guideline provides guidance on the provision of external audit services by any person engaged to perform external audit services for Investore.

### 3. Scope

- 3.1. This Guideline applies to Investore and any subsidiaries. The Audit and Risk Committee of Investore (**Committee**) is responsible for administering this Guideline and the Audit and Risk Committee Charter should be referred to when reviewing this Guideline.
- 3.2 References to the provision of '**external audit services**' means the audit of Investore's financial statements as required by the Financial Markets Conduct Act 2013 and the review of Investore's interim financial statements.

### 4. Requirements

- 4.1 Investore's Board (on the recommendation of the Committee) will approve the engagement of the external auditor (subject to shareholder approval) and will

approve the audit fee of the external auditor for the provision of external audit services. The Board will not approve as the external auditor any auditor who is not licenced and registered in accordance with the Auditor Registration Act 2011.

- 4.2 The external auditor will confirm to the Committee annually that he/she and his/her firm are in compliance with the professional standards and ethical guidelines of the Institute of Chartered Accountants of New Zealand and the New Zealand Auditing and Assurance Standards Board.
- 4.3 Rotation of the audit partner and engagement of the quality control reviewer must comply with the NZX Listing Rules and the New Zealand Auditing and Assurance Standards Board Professional and Ethical Standards.
- 4.4 Former Investore contractors or Stride Investment Management Limited ('**SIML**') employees will not be engaged in an external audit role in relation to Investore within two years of ceasing to be a contractor or employee (as applicable). Former audit partners or audit managers will not be employed by Investore and/or SIML in respect of Investore, without prior approval of the Committee and only after demonstrating compliance with the requirements of the New Zealand Auditing and Assurance Standards Board Professional and Ethical Standards.
- 4.5 The external auditor will monitor his/her firm's independence and confirm to the Committee annually that it has remained independent, consistent with this Guideline and their own respective policy, during the previous twelve months.

## 5. Non-Assurance Services which are not Permitted

- 5.1 The external auditor's firm will not be used for any purpose which could reasonably be regarded as compromising the independence of the external auditor.
- 5.2 Non-assurance services, which may not be performed by the external auditors, include (but are not limited to) the following:
- Involvement in the production of financial information or the preparation of financial statements such that the external auditor could be perceived as auditing its own work;
  - Involvement in the function of managing Investore or responsibility for making management decisions;
  - Involvement in the design or implementation of key financial information systems and processes;
  - Involvement in liquidations or receiverships of property of Investore;
  - Involvement in Investore's internal audit programme or business assurance services;
  - Staffing of temporary roles, including secondments in financial roles;
  - Assistance in recruiting senior management;
  - Provision of valuation services where the valuation is included in audited financial information;
  - Providing broker, dealer, investment advisory or investment banking services;
  - Provision of actuarial services.

## 6. Non-Assurance Services which are Permitted

- 6.1 The external auditor's firm may provide non-assurance services where these are approved by the Committee and deemed to be appropriate. Examples of these services include the following:
- Advising on the application and interpretation of accounting standards;
  - Advising on the interpretation and application of taxation policy and reviewing compliance with taxation policy;
  - Providing due diligence services; and
  - Providing accounting and technical training.
- 6.2 For clarity, any audit related services which the auditor is required under regulation to undertake or assurance services which the auditor is best placed to perform (such as audits over tenancy operating expenditure and marketing expenditure) are considered to be assurance related and within the scope of services provided by the external auditor, and accordingly will be subject to approval of the Committee in accordance with paragraph 4.1 of these Guidelines. These services will be reported to the Committee annually.
- 6.3 The Chief Financial Officer must approve all non-audit services provided by the external auditor prior to the auditors engagement, with additional approval also required for services exceeding set thresholds by the Chairperson of the Committee or the whole Committee, with such thresholds established by the Board and recorded in the Delegations of Authority Policy.
- 6.4 While this Guideline does not prescribe a ratio of non-audit service fees to audit fees

that is considered appropriate, the ratio will be monitored by the Chief Financial Officer and the Chairperson of the Committee. Accordingly, the nature of services provided by the external auditor and the level of fees incurred should be reported to the Committee in detail on a semi-annual basis to enable the Committee to perform its oversight role.

## **7. Reporting**

- 7.1 At each meeting of the Committee, the Chief Financial Officer will report to this Committee on any work conducted by the external auditor since the previous meeting.
- 7.2 The Committee will monitor the ratio of audit fees to non-audit fees on a quarterly basis to assist with the determination of independence.