

# *Audit Committee Charter*

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Document Owner: **PGG Wrightson Board of Directors**

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# ***Audit Committee Charter – Covering the PGG Wrightson Group***

## **1. Purpose/Objectives**

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- 1.1. The PGG Wrightson (PGW) Audit Committee is appointed by the Board of Directors to assist the Board in discharging its oversight responsibilities. The Audit Committee will:
- ensure that processes are in place, and monitor those processes, so that the Board is properly and regularly informed and updated on corporate financial matters, and
  - oversee the financial reporting process to ensure the balance, transparency and integrity of published financial information.
  - review and recommend to the Board for approval, PGW's annual mandatory climate-related disclosures, including climate related risks and opportunities.
- 1.2. The Audit Committee will also monitor and review:
- PGW's tax position, compliance status and any areas of potential tax risk.
  - the independent audit process, including recommending the appointment and removal and assessing the performance of the external auditor.
  - the effectiveness of PGW's internal control and risk management system.
  - the practices and effectiveness of the internal audit function.
  - PGW's process for monitoring compliance with laws, regulations, internal standards (including the Code of Conduct), policies and expectations of key stakeholders, including customers, employees and society as a whole.
- 1.3. In performing its duties, the Audit Committee will maintain effective working relationships with the Board of Directors, management, and external and internal auditors. To perform his or her role effectively, each Audit Committee member will develop and maintain his or her skills and knowledge, including an understanding of the Audit Committee's responsibilities and of the company's business, operations and risks.

## **2. Authority**

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2. The Board authorises the Audit Committee, within the scope of its responsibilities, to perform activities within the scope of this charter.
- 2.1. Engage independent legal counsel and other advisers as it deems necessary to carry out its duties.
- 2.2. Ensure the attendance of company staff at meetings as appropriate.
- 2.3. Have unrestricted access to members of management, employees and relevant company documents and information.
- 2.4. Have direct communication with and unrestricted access to the independent and internal auditors or accountants.
- 2.5. Establish procedures for dealing with the concerns or complaints of employees regarding accounting, internal control or auditing matters. Any employee may have access to the Chair of the Audit Committee and may also escalate issues or concerns in line with the PGW Whistle-Blower Policy.

- 2.6. Be directly responsible for recommending the appointment, compensation, retention, removal and oversight of the work of the external auditor.
- 2.7. Approve all audit engagement fees and terms as well as reviewing policies for the provision of non-audit services by the external auditor (and, when required, the framework for pre-approval of such services).

### **3. Organisation**

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#### **Membership**

- 3.1. The Board of Directors will appoint the Audit Committee members and the Chair of the Audit Committee who will not also be the Chair of the Board. The Chair of the Audit Committee will be an independent Director and not have a long-standing association with the PGW's external audit firm as a current, or retired, audit partner or senior manager at the firm.
- 3.2. The Audit Committee will be comprised solely of Directors of PGW and have at least three members, the majority of which will be independent directors of the company.
- 3.3. A quorum of any meeting will be two members.
- 3.4. At least one member must have an accounting or financial background and all other Audit Committee members must have a good understanding of financial/accounting principles.

#### **Meetings**

- 3.5. The General Manager Corporate Affairs (Company Secretary) acts as the secretary of the Audit Committee.
- 3.6. The Audit Committee will review and approve an annual plan of activities that address its role and responsibilities as outlined in this charter.
- 3.7. The Audit Committee Chair will report back to the Board the recommendations of the Audit Committee following the Audit Committee meetings.
- 3.8. Management and Employees will attend Audit Committee meetings at the invitation of the Audit Committee.
- 3.9. External and internal auditors, legal counsel and other advisors should be invited to make presentations to the Audit Committee as appropriate.
- 3.10. Meetings will be held not less than four times a year and should correspond with PGW's financial reporting cycle.
- 3.11. Special meetings may be convened as required. The secretary will convene a meeting on receipt of a request by the external or internal auditors, or a member of the Audit Committee.
- 3.12. The secretary will circulate the agenda and supporting documentation to the Audit Committee members within a reasonable time before each meeting.
- 3.13. The Audit Committee will provide feedback to the secretary on the content and quality of supporting documentation, to ensure it meets their requirements for governance purposes.
- 3.14. The secretary will maintain and circulate the minutes of meetings to members of the Board, members of the committee, those staff with action items from the meeting, the head of internal audit and the external auditor where appropriate.
- 3.15. As a minimum, the Chair of the Audit Committee (or other committee member) will attend Board meetings at which the financial statements are approved.

- 3.16. The Audit Committee will meet with the external auditor at least once a year without management present.

## **4. Audit Committee Roles and Responsibilities**

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### **Financial reporting**

- 4.1 Gain an understanding of the current areas of greatest financial risk and how these are being managed, including use of reasonable endeavours to ensure the prevention and detection of financial statement fraud.
- 4.2 Review and report to the Board significant accounting and reporting issues, including regulatory pronouncements, departures from accounting standards, significant accounting estimates or judgements, related party transactions, new or significant transactions, audit adjustments, significant year-on-year variances, non-compliance with law and regulations and understand their impact on financial reports.
- 4.3 Oversee the periodic financial reporting process implemented by management and the quality and adequacy of the accounting records and systems, and review the interim financial statements, annual financial statements and preliminary announcements that they fairly state the results and cash flows for the period and the financial condition of the Group.
- 4.4 Completion of the review of the financial statements to enable the Audit Committee to recommend to the Board the adoption of the financial statements and advising all Directors whether they comply with the appropriate laws and regulations.
- 4.5 Review management's process for ensuring that information contained in analyst briefings and market announcements are consistent with published financial information, and is balanced and transparent, particularly regarding GAAP vs non-GAAP data.
- 4.6 Meet with management and the external auditor to review the appropriateness of financial statements, key accounting policies and decisions, as well as recommended changes in accounting policies or accounting practices, related party transactions and the results of the audit.
- 4.7 Ensure that significant adjustments, unadjusted differences, disagreements with management and critical accounting policies and practice are discussed with the external auditor.
- 4.8 Review the annual report before its release and consider whether the information is consistent with Audit Committee members' knowledge about the company and its operations.
- 4.9 The Audit Committee should be satisfied the financial statements comply with stock exchange requirements, financial markets regulations and any other like obligations.
- 4.10 Review management's updates on tax compliance, tax legislative changes impacting PGW and any areas of potential tax risk. The Audit Committee also approves the PGW Tax Governance Policy.
- 4.11 Review the annual sustainability report before its release and consider whether the information is consistent with Audit Committee members' knowledge about the company and its operations.

### **Framework for working with the external auditor**

- 4.10 The following framework is set by the Board of Directors for managing the external auditors, and recorded in this charter.

4.11 The Board will facilitate regular and full dialogue between the Audit Committee, the external auditors and management. The Board has developed and implemented the following procedure for communication to make sure that occurs given the importance of the external audit function to PGW. The Board delegates the following responsibilities to the Audit Committee, with the Audit Committee to report back to the Board

- a. Discuss with the external auditor any audit problems encountered in the normal course of audit work, including any restriction on audit scope or access to information.
- b. Arrange meetings with external auditors on matters arising from the internal audit and management reports received.
- c. Ensure that significant findings and recommendations made by the external auditor and management's proposed responses are received, discussed and acted on appropriately.
- d. Discuss with the external auditor the appropriateness of the accounting policies applied in the company's financial reports and whether they are considered to be appropriate.
- e. Review the professional qualification of the external auditor (including background and experience of partner and auditing personnel).
- f. Consider the independence of the external auditor to carry out their statutory audit role and any potential conflicts of interest to ensure that their role is not impaired or could reasonably be perceived to be impaired. There should be no relationship between the auditor and PGW (or its directors and management) that could compromise the auditor's independence. The Audit Committee will ensure that each year confirmation of an auditor's independence is obtained by the Board in writing.
- g. Review on an annual basis the performance of the external auditor and make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditor, including reporting on performance, problems experienced and differences of opinion with management. The Audit Committee will ensure that the Key Audit Partner is changed at least every five years.
- h. Review the external auditor's proposed audit scope, nature, approach and fees after considering recommendations by management and subject to approval by the shareholders for the directors to fix the external auditor's remuneration.
- i. Review policies for the provision of non-audit services by the external auditor and, where applicable, the framework for pre-approval of audit and non-audit services. The Board has issued an "audit independence" direction that the external auditors will not provide other services without prior Audit Committee approval.

4.12 The external auditor will be invited to attend PGW's Annual Meeting to answer questions from shareholders in relation to the audit.

#### **Internal control and risk management**

4.13 Evaluate whether management is setting the appropriate 'control culture' by communicating the importance of internal control and management of risk.

- 4.14 Review the principal risks contained in the Group risk profile on a regular basis.
- 4.15 Ensure that management has appropriate processes for identifying, assessing and responding to risks in a manner that is in accordance with the organisation's risk appetite, and that those processes are operating effectively, and that the Audit Committee enquires as to the effectiveness of the risk management system at least annually.
- 4.16 Understand the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 4.17 Understand the controls and processes implemented by management to ensure that the financial statements derive from the underlying financial systems, comply with relevant standards and requirements, accurately and fairly reflect the transactions and dispositions of the PGW's assets.
- 4.18 Evaluate the overall effectiveness of and compliance with the internal control and risk management frameworks.
- 4.19 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown or to protect against computer fraud or misuse.
- 4.20 Review the Delegated Authorities Policy and financial policies prior to consideration by the full Board (e.g. Treasury Policy, Non-GAAP Accounting Information Policy, Business Case framework, etc).
- 4.21 Oversight of the Credit Committee and credit provisioning.

#### **Internal audit**

- 4.22 Ensure that PGW discloses in the annual report that it maintains an internal audit function, how it is structured and what role it performs.
- 4.23 Review the activities, resources and organisational structure of the internal audit function and ensure there are no unjustified restrictions or limitations and that they can operate with independence.
- 4.24 Participate in the appointment of the head of the internal audit function (Risk and Assurance) and discuss with the external auditor the standard of work of internal audit staff.
- 4.25 Monitor the effectiveness of the internal audit function, review that it is adequately resourced and ensure that it has appropriate standing within the company. Meet separately with the head of internal audit function to discuss matters that the Audit Committee or internal auditors believe should be discussed privately. Ensure a direct reporting line between the head of internal audit function and the Audit Committee Chair is established.
- 4.26 Ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately acted on.
- 4.27 Review and approve the proposed Business Assurance plan for the coming financial year and ensure that it addresses key areas of risk and that there is appropriate co-ordination with the external auditor.

#### **Compliance with laws, regulations, internal policies and industry standards**

- 4.28 Review the effectiveness of the system for monitoring compliance with laws, regulations, internal policies and industry standards.

- 4.29 Obtain regular updates from management about compliance matters that may have a material impact on the company's financial statements, strategy, operations or reputation.
- 4.30 Be satisfied that all regulatory compliance matters related to the business of the company have been considered in the preparation of the financial statements.
- 4.31 Review the findings of any examinations by the regulators.
- 4.32 Approve/review the policies, processes and framework for identifying, analysing and addressing complaints (as set out in the Whistle-Blower Policy) and review material complaints and their resolution.

#### **Reporting responsibilities**

- 4.33 Regularly update the Board about Audit Committee activities and make appropriate recommendations.
- 4.34 Ensure the Board is aware of matters that may significantly affect the financial status or affairs of the business.
- 4.35 Prepare any reports required by law or listing rules, or as requested by the Board, on the Audit Committee's activities, and duties to be included in the relevant section on corporate governance in the annual report.
- 4.36 The Audit Committee will ensure the direct lines of communication with management, internal audit and the external auditors are maintained as they consider appropriate.
- 4.37 The CFO is responsible for drawing to the Audit Committee's immediate attention any material matters which relate to the financial condition of the Group, any material breakdowns in internal controls and any material events of fraud or malpractice once evidence of such events is available.

#### **Evaluating performance**

- 4.38 Evaluate the Audit Committee's own performance annually, that of individual members and collectively, as well as the Audit Committee's role and specific responsibilities. Any proposed changes in the role or responsibilities will be referred to the Board for approval.
- 4.39 Assess the achievement of the duties specified in the charter and report the findings to the Board.

#### **Review of the Audit Committee charter**

- 4.40 Review the Audit Committee charter annually or at the request of any Audit Committee member and amended as appropriate. The charter and amendments must be approved by the Board.
- 4.41 A copy of this charter will be published on [pggwrightson.co.nz](http://pggwrightson.co.nz)