



General Capital Limited
Audit Committee Charter
30 August 2019

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1. Introduction

- 1.1. This Charter sets out the responsibilities and framework for the operation of the Committee.

2. Objective and Purpose

- 2.1. The Company is listed on the NZSX market operated by NZX Limited.
- 2.2. The Committee is a committee of the Board established to assist the Board to fulfil its responsibility to exercise due care, diligence and skill in relation to the Company's:
 - a. financial practices and reporting;
 - b. internal audit and control environment;
 - c. external audit; and
 - d. risk management.

3. Responsibilities

- 3.1. The Committee is responsible for:
 - a. ensuring that processes are in place and monitoring of those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
 - b. reviewing the Company's full and half-year financial statements and related information, together with the external auditor's reports, and making recommendations to the Board as to whether they comply with the appropriate accounting standards, laws and regulations;
 - c. reviewing and approving changes to material accounting policies;
 - d. reviewing tax-related matters;
 - e. overseeing the adequacy of internal controls, including considering all audit (external and (if any) internal) findings in respect of the internal control framework and recommendations to management;
 - f. reviewing the desirability or necessity for appointment of an internal audit function and making recommendations accordingly to the board;
 - g. if internal audit is undertaken, reviewing and monitoring the internal audit work plan, reports from internal audit and management responses, overseeing the independence and objectivity of the internal audit function, reviewing the remuneration and key performance objectives for the internal audit personnel/internal audit firm and reviewing management's recommendations in respect of for candidates for appointment as internal audit manager and/or the appointment or termination of an internal audit firm;
 - h. monitoring the independence and effectiveness of the external auditor (including a periodic comprehensive review and formal assessment);
 - i. making recommendations to the Board on the appointment and removal of the external auditor;

- j. approving the external auditor's terms of engagement, audit partner rotation (at least every five years) and audit fee;
- k. reviewing and providing feedback in respect of the external auditor's annual audit plan;
- l. having regular and direct communication with the external auditors, company accountants and the internal auditors (if any);
- m. reviewing and approving non-audit services performed by the external auditor, and reporting the value of non-audit work at every Board meeting; Risk management;
- n. reviewing and providing feedback to management in respect of the principal risks set out in the Company's risk register (including cyber risk and privacy);
- o. ensuring that management has established a risk management framework which includes policies and procedures to effectively identify, manage and monitor the Company's principal risks on an ongoing basis; and
- p. monitoring compliance with, and assessing the effectiveness of, the risk management framework.

4. Responsibilities and Duties of Others

4.1. The Committee is not responsible for conducting accounting or audit reviews or procedures:

- a. Management is responsible for:
 - The preparation, presentation and integrity of the financial statements;
 - Implementing and maintaining appropriate accounting and financial reporting principals, and compliance with accounting standards and applicable laws and regulations;
- b. Management or (if appointed) internal audit is responsible for review of the risk control framework and compliance with policies and regulations; and
- c. The Company's external auditors:
 - are responsible for planning and carrying out each audit and review in accordance with applicable auditing and review standards; and
 - are accountable to shareholders (through the Committee and the Board).

4.2. The Company's subsidiary GFL is a licenced non-bank deposit taker within the meaning of the NBDTA and has a separate board which is required to act independently of the Company. The board of GFL is responsible for all matters relating to GFL's financial practices and reporting, internal audit and control environment, external audit and risk management. Members of the Committee are entitled to rely on the decisions and determinations of the GFL board so long as the Committee member is not aware of any grounds upon which such reliance may be inappropriate.

5. Access Rights and Reporting

- 5.1. Notwithstanding the existence of the Committee, management personnel and the external auditor will have direct access to the Board in respect of any matter.
- 5.2. The Company's senior managers will have direct access to the Chairperson in respect of any matter of material concern that has been raised through normal management processes but has not been advised to the Committee.
- 5.3. The CFO will be responsible for drawing to the Committee's immediate attention:
 - a. any material matters which relate to the financial condition of the Company;
 - b. any material breakdowns in internal controls;
 - c. any material events of fraud or malpractice;
 - d. any significant legislative non-compliance; and
 - e. any changes in risk profile.
- 5.4. Any reporting of a matter requiring the Committee's immediate attention as outlined in 5.3 above shall be accompanied with Management's proposed corrective actions.

6. Membership

- 6.1. The Committee will:
 - a. be comprised solely of directors of the Company;
 - b. have a minimum of three members;
 - c. have a majority of members that are independent directors; and
 - d. have a minimum of one member with an accounting or financial background and be structured to ensure that, as a collective group, the Committee has the skills and experience to fulfil its role and responsibilities.
- 6.2. The Board will appoint and remove the members of the Committee and the Chairperson.
- 6.3. The Chairperson may not be the chairperson of the Board, must be an independent director and must not have a longstanding association with the external audit firm as a current or retired audit partner or senior manager.

7. Meetings and Procedure

- 7.1. Committee meetings will be conducted in accordance with the Company's Constitution and otherwise as determined by the Chairperson.
- 7.2. The Committee will generally meet four times a year and at least three times a year. The Committee may meet at any other time at the request of a member or the external auditor. The Committee will meet at least annually with the internal audit personnel/internal audit firm and external auditor without management present.

- 7.3. The Committee will establish an annual work programme to ensure that it reviews, assesses or reports on each of the areas for which it is responsible under this Charter. The annual work plan will be updated by the Committee and annually.
- 7.4. The Committee is authorised by the Board to take such independent external professional advice as it considers necessary.
- 7.5. The Committee will have unrestricted access to management and the internal audit personnel/internal audit firm (if any) and external auditor as necessary.
- 7.6. Directors may attend meetings of the Committee.
- 7.7. The external auditor will attend meetings. Management may only attend meetings at the invitation of the Committee. The Committee may meet without the external auditor present.
- 7.8. The Chairperson may ask any person attending a meeting to leave.
- 7.9. The quorum for a meeting is two members at least one of whom must be an independent director.
- 7.10. Unless the requirement is waived, notice of meetings will be given to all members. Notice will usually be by way of secure electronic transmission to an email address provided by the member.
- 7.11. Members are expected to attend all meetings and may be required to give an explanation to the Chairperson if they miss a meeting. Meetings can take place by means of video conference or telephone conference, provided all members are connected and able to hear each other.
- 7.12. All decisions of the Committee will be by majority vote. In the event of a deadlock, the Chairperson does not have a casting vote.

8. Conflicts of Interest

- 8.1. Members must disclose to the Committee any actual or potential conflict of interest.
- 8.2. A member must excuse himself or herself from all discussions or decisions, in respect of any matter in which he or she may have an actual conflict. The Chairperson will determine whether a member will receive supporting documentation in respect of any matter in which the member may have an actual conflict.

9. Secretarial

- 9.1. The Company Secretary will act as the secretary to the Committee.
- 9.2. The Company Secretary will generally circulate the agenda and supporting documentation to members at least two clear business days prior to each meeting.
- 9.3. The Company Secretary will take minutes at each meeting and circulate them to members.

10. Authority

- 10.1. The Committee has authority to undertake any activity set out in this Charter or authorised by a separate resolution of the Board.

10.2. Unless otherwise directed by the Board, or identified in this Charter, the Committee will have no executive powers in regard to its findings and recommendations. The Committee will make recommendations to the Board for its approval.

11. **Reporting**

11.1. The minutes of meetings will be provided to the Board.

11.2. The Chairperson will report to the Board in respect of the Committee's findings.

12. **Confidentiality**

12.1. All discussions, papers and records of Committee meetings will remain confidential to the Company, unless there is specific direction from the Committee or Board, or disclosure is required by law.

13. **Performance**

13.1. The Committee will assess its performance against the responsibilities set out in this Charter at least annually.

13.2. The Board will review the Committee's performance at least annually.

14. **Interpretation**

14.1. In this Charter:

Act means the Companies Act 1993;

Board means the board of directors of the Company;

Chairperson means the chairperson of the Committee;

Committee means the Audit Committee of the Company;

Company means General Capital Limited;

GFL means General Finance Limited;

NBDTA means the Non-bank Deposit Takers Act 2013.