

**THE WAREHOUSE GROUP LIMITED**  
("The Warehouse")

**Audit Committee Charter**

**Organisation**

- The Audit Committee is a committee of the Board of Directors.
- The Audit Committee of the board of directors shall be comprised of at least three directors who are Independent Directors as determined from time to time by the Corporate Governance Committee.
- The chairperson of the committee, appointed by the Board of Directors shall be an Independent Director and may not be the Chairman of The Warehouse.
- The majority of directors on the committee shall be Independent Directors.
- All Audit Committee members will be financially literate, and at least one member will have accounting or related financial management expertise.
- The Chief Executive and Chief Financial officer attend by invitation.
- The members of the committee will be selected at the Board meeting immediately following the Annual Meeting of Shareholders and will hold office for the ensuing year.

**Meetings**

- Meetings of the Audit Committee shall be held at least twice a year having regard to the Company's reporting and audit cycle, or at the discretion of the Chairperson or if requested by any Committee member, the CEO, external or internal audit.
- A quorum shall be three members.
- The secretary to the Board will also act as secretary to the Audit Committee.
- The Committee shall have in attendance, such representatives from management, internal and external audit, insurance brokers and other advisors, as it may deem necessary to provide appropriate information or explanation.
- Any non-executive director who is not a member of the Audit Committee shall also be able to attend meetings of the Audit Committee.
- Minutes of all meetings shall be kept.

**Statement of Policy**

The Audit Committee shall provide assistance to the directors in fulfilling their responsibility to the shareholders, potential shareholders, and investment community relating to corporate accounting, reporting practices of the company, and the quality and integrity of financial reports of the company. In so doing, it is the responsibility of the Audit Committee to maintain free and open communication between the directors, the external auditors, the internal auditors, and the financial management of the company.

The Audit Committee is not responsible in any way for the implementation and operation of risk management including internal control and audit systems. This is the responsibility of management. The

role of the Audit Committee, primarily through the internal audit function, is to ensure that appropriate systems are in place and are operating effectively.

### **Responsibilities**

In carrying out its responsibilities, the Audit Committee believes its policies and procedures should remain flexible, in order to best react to changing conditions and to ensure to the directors and shareholders that the corporate accounting and reporting practices of the company are in accordance with all requirements and are of the highest quality.

### **Access and Authority**

- The Committee shall have all necessary access to, and the authority of the Board to seek any information it requires from any employees to fulfill its function, duties and responsibilities. All employees will be directed to co-operate with any request made by the Committee.
- The Committee will have unrestricted access to the internal and external auditors.
- The Committee shall have the authority of the board to obtain independent professional advice and expertise if it considers this necessary.
- The Audit Committee provides oversight in four distinct areas:
  - Governance;
  - Financial Reporting;
  - Audit Functions; and
  - Risk Management Functions

### **Disclosure**

- The Audit Committee Charter will appear on The Warehouse website
- Audit Committee agenda and minutes will be distributed to all Board members regardless of whether they are members of the Audit Committee.

### **Governance**

In carrying out its responsibilities, the Audit Committee will:

- a) Obtain the full Board of Directors' approval of this Charter and review and reassess this Charter as conditions dictate (at least annually).
- b) Annually undertake a self review of objectives and duties including input from appropriate management and internal and external auditors and report on the effectiveness of the Audit Committee to the full Board of Directors'.
- c) Review and recommend to the directors the external auditors to be selected to audit the financial statements of the company and its divisions and subsidiaries.
- d) Have a clear understanding with the external auditors that they are ultimately accountable to the Board of Directors and the Audit Committee, as the shareholders' representatives, who have the ultimate authority in deciding to engage, evaluate, and if appropriate, terminate their services.

- e) Review and concur with management's appointment, termination, or replacement of internal audit service providers.
- f) Provide sufficient opportunity for the internal and external auditors to meet with the members of the Audit Committee without members of management present. Among the items to be discussed in these meetings are the external auditors' evaluation of the company's financial, accounting, and auditing personnel, and the cooperation that the external auditors received during the course of audit.
- g) Submit the minutes of all meetings of the Audit Committee to, or discuss the matters discussed at each committee meeting with, the Board of Directors.
- h) 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.

### **Financial Reporting**

In carrying out these responsibilities, the Audit Committee will:

- a) Review the financial statements contained in the annual report to shareholders with management 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 shareholders. Review with financial management and the external auditors the results of their timely 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 Audit Committee by the auditors. Also review with financial management 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, 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.
- b) Review the company's tax position, compliance and any exposures.
- c) Review financial reports required under stock exchange listing rules before they are issued to the market.
- d) Recommend to the Board of Directors for adoption significant changes in accounting policies and annual and six-monthly financial statements.

### **Audit Functions**

In carrying out these responsibilities, the Audit Committee will:

- a) Meet with the external auditors and financial management of the Company 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, matters that may have a material effect on the financial statements or related company compliance policies.

- c) Review the internal audit function of the company 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 completed internal audits and a progress report on the internal audit plan, with explanations for any deviations from the original plan.
- e) Report the results of the annual audit to the Board of Directors. If requested by the Board, invite the external auditors to attend the full board of directors 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 Audit Committee meeting during which the results of the annual audit are reviewed).
- f) Review the nature and scope of other professional services provided by the company 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.
- h) Make recommendations to the Board as to the appointment or discharge of external auditors and the rotation of the lead audit partner every five years in accordance with NZSX Listing Rule 3.6.3(f).
- i) Establishing 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.
- k) Approve in advance the hiring of an existing/former audit manager/partner having regard to independent considerations.

#### **Risk management functions**

The Board is responsible for risk management generally and delegate this responsibility to the CEO who may further delegate such responsibilities to Brand CEO's, the CFO and other officers as determined by the CEO.

The Audit Committees risk management responsibilities will be to:

- a) Ensure that management 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 the Group.
- c) Review management's and the external and internal auditor's reports on the effectiveness of systems for internal control, financial reporting and risk management.
- d) Ensure that the Board receives regular risk management compliance certificates and review reports on the principal business risks at least annually
- e) Review key insurance policy terms and cover adequacy and make recommendations to the Board of Director for adoption of the insurance cover.

*Current as at 22 October 2009*