

**Hotel Property Investments Limited**

**Board Audit and Risk Committee Charter**

December 2023

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## 1 Purpose

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- 1.1 The Board Audit and Risk Committee ("**Committee**") is a committee of the board of directors ("**Board**") of Hotel Property Investments Limited ("**Company**").
- 1.2 The Company is the responsible entity of Hotel Property Investments Trust ARSN 166 484 377 ("**Trust**") and agreed to the shares in the Company being stapled to the units in the Trust and listed on the ASX, and being quoted together as a single stapled security. The Company and the Trust and each of their subsidiaries (from time to time) are collectively referred to as the "**Stapled Group**".
- 1.3 While the stapling arrangements are in force, the Company must ensure that the primary form of financial reporting for the Stapled Group is in the form of consolidated financial statements for the Stapled Group.
- 1.4 The Committee will have regard to matters affecting the Stapled Group when carrying out its duties and responsibilities under this Charter.
- 1.5 The purpose of the Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities relating to:
- (a) The integrity of the Stapled Group's financial reporting;
  - (b) The effectiveness of the Stapled Group's systems of financial risk management and internal control;
  - (c) The external audit functions;
  - (d) the Stapled Group's risk profile and risk policy; and
  - (e) The effectiveness of the Stapled Group's risk management framework and supporting risk management systems.
- 1.6 The duties and responsibilities of the Committee to fulfil this purpose are described in section 2.

## 2 Duties and Responsibilities - Audit

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### 2.1 Financial Reporting

The Committee shall:

- (a) Review with management and the external auditors, the financial statements to be released to securityholders.
- (b) Ensure that all financial statements released to securityholders, lenders, or any regulatory body comply with accounting standards, are true and fair, and are not misleading.
- (c) Ensure that FS71 requirements of the AFSL are satisfied.
- (d) Require each person who performs a chief executive officer function or a chief financial officer function (as those terms are used in section 295A of the *Corporations Act 2001* (Cth) ("**Act**")), as appropriate, to give the Board a declaration for the purpose section 295A(2) of the Act.
- (e) Require management to inform the Committee as to:
  - (i) the compliance with current Australian Accounting Standards and other regulatory requirements;
  - (ii) changes in accounting policies during the period; and

- (iii) outline methods used in accounting for specific transactions where there is no definitive accounting standard.
- (f) Require external auditors to inform the Committee of their views in relation to the above.
- (g) Review management's representations in respect of the accounts and make recommendations to the Board in connection with adoption of the accounts.
- (h) Advise the Board on statements to be made in the directors' report regarding non-audit services in accordance with the Act.

## **2.2 Assessment of Systems of Financial Risk Management and Internal Control**

The Committee shall:

- (a) Discuss with management and the external auditor the Stapled Group's accounting and financial controls, including the policies and procedures to assess, monitor and supervise financial risk, business risk, legal and ethical compliance programs for the purpose of forming a view as to the effectiveness of these controls, policies, procedures and programs.
- (b) Discuss with management and the external auditor the Stapled Group's accounting policies and methods for the purpose of forming a view as to the appropriateness (as opposed to the acceptability) and objectivity of these policies and methods.
- (c) Review all reports produced by the external auditor and management's response to the matters raised therein and become satisfied that accounting records are properly maintained in accordance with statutory requirements.
- (d) Obtain reports from time to time from the external auditor on the critical policies and practices of the Stapled Group and on all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management.
- (e) Make any recommendations to the Board, as appropriate, in connection with the items listed in 0 to (d) above.
- (f) Make recommendations for the appointment or, if necessary, dismissal of the head of internal audit, if an internal auditor is appointed.
- (g) Review all related party transactions involving the Stapled Group.

## **2.3 External Audit**

The Committee shall:

- (a) Recommend to the Board the appointment and remuneration (and, where appropriate, replacement) of the external auditor and the terms of their engagement.
- (b) Discuss annually with the external auditor the overall scope of the external audit, including identified risk areas and any additional procedures considered necessary.
- (c) Review external audit plans and progress reports prepared by the external auditor, determine whether all matters raised are receiving appropriate attention and ensure the external auditor attends the Stapled Group's Annual General Meeting (answering any relevant questions from the Securityholders).
- (d) Monitor and periodically evaluate the effectiveness, performance and independence of the external auditor (making recommendations to the Board as necessary, based on its observations).

## 2.4 Independence of the External Auditor and Provision of Non-audit Services

The Committee shall:

- (a) Periodically (at least once per annum) assess the independence of the external auditor by considering the relationships and services provided by the external auditor that may lead to an actual or perceived lack of independence.
- (b) Require the external auditor to confirm in writing that they have complied with all professional and regulatory requirements relating to auditor independence prior to the completion of each year's accounts. The report will also delineate all relationships between the external auditor and the Stapled Group and describe the external auditor's internal quality control procedures. The report is an addition to any other declaration that the external auditor must provide pursuant to the Act.
- (c) Approve and review the External Auditor Independence Policy (Schedule 1) and monitor compliance with that policy.
- (d) Recommend to the Board the appropriate disclosure in each year's accounts of the full details of fees paid to the external auditor, including an analysis of non-audit services, and provide written advice to the Board as to whether the provision of non-audit services by the external auditor is compatible with the general standard of independence for auditors imposed by the Act, and has not compromised that independence, together with reasons upon which that advice is based.
- (e) Require that the lead external audit engagement partner be rotated every five years or more frequently if the Committee considers it desirable to maintain the external auditor's independence.
- (f) Require, in addition to normal recruitment due diligence processes, that the appointment of any present or former employee of the external auditor to a senior position within the Company be approved in advance by the Chair of the Committee (**Committee Chair**).

## 3 Duties and Responsibilities - Risk Profile

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### 3.1 Financial Reporting

The Committee shall:

- (a) Review the Stapled Group's assessment of material risks and form an opinion on the adequacy and effectiveness of the risk assessment.
- (b) Consider the effectiveness of the Stapled Group's internal controls, and relevant reports from any audit process.
- (c) Review the Stapled Group's risk profile as developed by management and monitor emerging risks and changes.
- (d) Report any material changes in risk profile to the Board.
- (e) Oversee tax compliance and tax risk management,
- (f) Where the Committee identifies opportunities to create value by taking on further or different risks, make recommendations to the Board on the strategies that could be undertaken to capitalise on the identified opportunities.
- (g) Ensure that appropriate processes are in place to form the basis upon which each person (if any) who is required to execute declarations under section 295A of the Act to the Board at financial year end in relation to the systems of internal controls are able to, and ensure that system is operating effectively in all material respects in relation to financial reporting risks.

- (h) Review any significant findings of any examinations by regulatory agencies.

### **3.2 Effectiveness of the Risk Management Framework**

The Committee shall:

- (a) Having regard to the information received from the senior management of the Company, recommend to the Board, and oversee the operation of, risk management policies and procedures, so that there is, amongst other things:
  - (i) A procedure for identifying risks relevant to the Stapled Group's business and controlling their impacts on the Stapled Group;
  - (ii) An adequate system of internal control, risk management and safeguarding of assets;
  - (iii) A system of reporting and investigating breaches of risk management policies and procedures;
  - (iv) A review of internal control systems and the operational effectiveness of risk management policies and procedures;
  - (v) Promoting a culture of risk management and compliance throughout the Stapled Group which promotes open discussion regarding risk, and encourages the management of risk across all levels; and
  - (vi) Adequate resources to support the risk management function and enable proper remedial action to be taken to address areas of weakness.
- (b) Review and monitor the risk management performance of the Stapled Group, including conducting specific investigations where necessary.
- (c) Ensure that the Board discloses whether such a review has taken place and how the Stapled Group intends to manage those risks in its annual report.
- (d) Assess the effectiveness of assurance activities and review assurance reports.
- (e) Oversee the Stapled Group's insurance program (including though periodic review of the structure and adequacy of insurance coverage), having regard to the Stapled Group's business and the insurable risks associated with its' business.
- (f) Recommend to the Board any corrective action resulting from its review and assessment.
- (g) Review any significant findings of any examinations by regulatory agencies.

### **3.3 Sustainability**

The Committee shall:

- (a) Receive regular updates from management on sustainability issues and initiatives;
- (b) Review the Stapled Group's sustainability strategy, policies and annual sustainability reports, for recommendation to the Board for approval;
- (c) Report to the Board any identified material exposure to environmental or social risks, and consider how the Stapled Group intends to manage these risks, as well as the manner in which it is disclosed publicly.

## **4 Membership and structure**

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- 4.1 The Board shall appoint the Committee from time to time and review the composition of the Committee annually.

- 4.2 The Committee shall consist of at least three members, and to the extent practicable, will comprise only non-executive directors.
- 4.3 The Committee shall comprise a majority of independent directors.
- 4.4 Each member will be financially literate (that is, able to read and understand financial statements), have familiarity with financial management and an understanding of the industries in which the Stapled Group operates. At least one member will have relevant qualifications and experience (that is, a qualified accountant or other finance professional with experience of financial and accounting matters) and some members should have an understanding of the property industry.
- 4.5 If the Committee Chair approves, a Committee member may attend seminars or training related to the functions and responsibilities of the Committee at the expense of the Stapled Group.
- 4.6 A designated senior manager of the Stapled Group, the external auditor and other management as required, will normally attend all Committee meetings.
- 4.7 The Board will appoint one of the members of the Committee Chair, who should not be Chair of the Board. The Committee Chair must be an independent non-executive director. It is the responsibility of the Committee Chair to schedule all meetings of the Committee and, to provide the Committee with a written agenda.
- 4.8 A designated senior manager of the Stapled Group or such other person as is appointed by the Committee will act as secretary of Committee meetings and will circulate minutes of the meeting.
- 4.9 If a member ceases to be a director of the Board of the Stapled Group, that member ceases to be a member of the Committee.

## **5 Administrative Matters**

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### **5.1 Meetings**

- (a) Any member of the Committee may call a meeting of the Committee.
- (b) The Committee will meet at least four times per annum, preferably once in each calendar quarter.
- (c) Additional Committee meetings may be convened as the Chair of the Committee considers necessary, taking into account requests from any member, the senior management of the Company or the external auditor.
- (d) Committee meetings may be held or participated in by conference call or similar means, and decisions may be made by circular or written resolution. A circular or written resolution signed by a majority of all members will be effective as a resolution duly passed at a Committee meeting and may consist of several documents in like form, each signed by one or more members. The expression "written" includes fax or other electronic means.
- (e) A quorum of the Committee will comprise any two members.
- (f) If the Committee Chair is unable to attend a Committee meeting, the Committee Chair, or the members present, will appoint another member who is an independent director to act as Committee Chair at that meeting. However, all members are expected to participate in all Committee meetings.
- (g) While the stapling arrangements are in force, a representative of the Responsible Entity will attend meetings of the Committee as an observer.

- (h) All directors who are not members of the Committee are entitled to attend any meeting of the Committee.
- (i) The Committee may invite any key executive or other individuals to attend meetings of the Committee, as they consider appropriate.
- (j) At each Committee meeting the external auditor will meet in private with the Committee without management.

## **5.2 Voting**

- (a) Each member shall have one vote.
- (b) The Committee Chair will not have a second or casting vote.

## **5.3 Minutes**

- (a) Minutes of Committee meetings will be prepared by the secretary, approved by the Committee Chair in draft and circulated to all members.
- (b) Minutes of any private sessions of the Committee (for example, with the external auditor and without management) will be prepared, approved by the Committee Chair in draft and circulated to all members.
- (c) The minutes of a Committee meeting and of any private session will be confirmed at the next Committee meeting and then signed by the Committee Chair.

## **5.4 Reporting**

- (a) The minutes of each Committee meeting will be included in the papers for the next Board meeting after the Committee meeting.
- (b) The Committee Chair will, if requested at the next Board meeting after a Committee meeting, provide a brief oral report as to any material matters arising out of the Committee meeting. All directors may, within the Board meeting, request information of members of the Committee.

## **5.5 Authority and Access**

- (a) Except where expressly stated in this Charter, the Committee discharges its responsibilities by making recommendations to the Board.
- (b) The Committee may engage separate independent counsel or advisors at the expense of the Company, in appropriate circumstances, with the approval of the Chair or by resolution of the Board.
- (c) The Committee will have unrestricted access to management and rights to seek explanations and additional information from management. The Committee will also have unrestricted access to the external auditor (with or without the presence of management, at the Committee's discretion).
- (d) The Committee has authority to conduct or direct investigations into any matters within its Charter. The Committee is entitled to obtain external, independent legal or professional advice as considered necessary or desirable by the Committee to assist it in any investigation or to carry out its duties. As appropriate, the Committee will inform the Chair of the Board of the Company of its decision to authorise such an investigation or obtain such external advice.

## **6 Review**

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- 6.1 The Committee will, on a yearly basis, undertake an evaluation of its performance and effectiveness, review its membership and this Charter and make recommendations to the Board.
- 6.2 The Committee will consider and review the report of the Committee's membership, authority, responsibilities and discharge of those responsibilities for inclusion in Stapled Group's annual report and oversee the preparation of any report or other disclosures to be included in the annual report or other communications to security holders relating to the external auditor and to risk and risk management.

## **SCHEDULE 1 - EXTERNAL AUDITOR INDEPENDENCE POLICY**

This External Auditor Independence Policy (“**Policy**”) is intended to support the independence of the external auditor by regulating the provision of services by the external auditor. The external auditor will not be engaged to perform any service that may impair or be perceived to impair the external auditor’s judgement or independence.

This Policy is to be interpreted in light of the specific requirements of the Corporations Act 2001 (Cth) and should be read in conjunction with the charter of the Board Audit and Risk Committee (“**Committee**”) (“**Charter**”).

### **1 Audit Services**

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The external audit engagement encompasses the external audit of the AFSL on an annual basis, the external auditor's review of the half-yearly financial statements and the audit of the annual financial statements. The audits are in accordance with annual external audit plans and the terms of engagement annually approved by the Committee pursuant to the Charter. Any services included in, or necessarily incidental to, the terms of that engagement are to be regulated as Audit Services.

### **2 Prohibited Services**

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The external auditor must not provide services that are in conflict with the external auditor's role as statutory auditor or that would otherwise impair or be perceived to impair the external auditor's independence. Generally, these services include services where the external auditor:

- (a) Participates in activities that are normally undertaken by management;
- (b) Is remunerated through a "success fee" structure;
- (c) Acts in an advocacy role for the Company; or
- (d) May be required to audit or express an opinion on its own work.

Examples of services that may not be performed by the external auditor include:

- (a) Management consulting;
- (b) IT systems design or implementation;
- (c) Valuation services (except where related solely to tax affairs);
- (d) Bookkeeping, accounting and payroll services;
- (e) Broker, dealer or investment advisory services;
- (f) Litigation or legal advocacy services;
- (g) Recruitment and human resource services;
- (h) Internal audit services;
- (i) Actuarial services;
- (j) Acquisition valuations or valuations for purchase price allocations;
- (k) Fairness opinions; and
- (l) Preparation of sale documentation.

### **3 Non-Audit Services and Pre-Approval**

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The external auditor will be permitted to provide non-audit services that are not perceived to be in conflict with the role of auditor. Examples of services that may be provided without Committee approval:

- (a) Tax compliance services;
- (b) Advice on application of appropriate accounting standards;
- (c) Audits or verification of regulatory returns; and
- (d) Other compliance-type activities.

Based on recommendations from management, the Committee Chair may also approve performance of non-audit services by the external auditor, where such services require a detailed knowledge of the Stapled Group's activities in order to decrease costs and maximize output efficiencies.

This consultation process will occur where the individual service is estimated to cost in excess of \$50,000: or where the annual fees for all non-audit services exceed, or are likely to exceed 100% of the auditors annual audit fees.

The Committee Chair will also consult with other members of the Committee, the external auditor, and management as appropriate. Examples of such services are:

- (a) Strategic tax advice;
- (b) Due diligence on potential acquisition/investments;
- (c) Investigating accounting assignments; and
- (d) Corporate finance advice (deal structuring and execution).

A report will be given at each Committee Meeting of the services approved since the last meeting.

### **4 Reporting to Committee**

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A designated senior manager of the Stapled Group will provide a report (verbal or written) to the Committee at each meeting which describes any non-audit services approved by the Chief Financial Officer of the Stapled Group (and endorsed by the Chair of the Committee) or approved by the Chair of the Committee since the last Committee meeting.