

# Public - MINUTES (in Review)

## AUDIT & RISK MEETING



<b>Name:</b>	Audit & Risk Committee
<b>Date:</b>	Thursday, 9 November 2023
<b>Time:</b>	10:00 am to 10:53 am (NZDT)
<b>Location:</b>	Trust Boardroom, 124 Main Street, Greytown
<b>Committee Members:</b>	Derek Williams, Phil Holden, Steve Meyrick
<b>Attendees:</b>	Helga Perry
<b>Apologies:</b>	Erica Buxton

### 1. Opening Meeting

#### 1.1 Apologies

Apologies noted from Erica Buxton.

#### 1.2 Interests Register

### 2. Minutes

#### 2.1 Confirmation of Minutes

**A&R meeting post Audit sign off 9 Aug 2023**, the minutes were confirmed as presented.

**A&R Meeting Post Audit Sign Off - Public Agenda 9 Aug 2023**, the minutes were confirmed as presented.



#### Confirm minutes of 9 August 2023 meeting

Minutes of the Audit and Risk Committee meeting held 9 August 2023 are confirmed as a true and correct record.

**Decision Date:** 9 Nov 2023  
**Mover:** Phil Holden  
**Second:** Steve Meyrick  
**Outcome:** Approved

### 3. Business

#### 3.1 Risk Register - 6 monthly review

The Committee received the covering report and risk register for further discussion and review. The committee agreed that for risk # 2 - threat to financial markets, global market changes - an annual risk review of the investment portfolio should be scheduled for April / May 2024 with

the intent that an annual review would be carried out from then on. This to be added under additional actions required.

Mr Williams advised he had earlier this week attended a Forsyth Barr Research Briefing in Wellington on fixed interest developments and issues. See notes provided via email following the A&R meeting further below.

Discussion held around whether the current top two risks need to be reclassified taking into account the likelihood of the risk occurring with the level of measures and controls in place.

The committee agreed to reclassify the likelihood of both risk # 1 – threat to rental income security and risk # 2 – threat to financial markets, global market changes from highly likely to possible. The level of control category for both has also been upgraded from low to high.

This has resulted in the two risks decreasing from a high risk level to a medium risk level.

*"As I mentioned at the meeting of the Investment Committee today I attended, yesterday in Wellington, a Forsyth Barr Research Briefing on fixed interest developments and issues:*

- *The briefing was researched and presented by two members of the Forsyth Barr research team. One their head economist and the other their senior research person focused on the traded bond and fixed interest markets. The audience was a more or less equal mix of retail and commercial investors.*
- *To some extent the briefing was a refresh of the basic facts around bonds and fixed interest behaviors relative to equities and property for retail investors and to make sure the audience was calibrated.*
- *There were graphs presented that illustrated:*
  - *The relative performance of equities and bonds (equities outperform bonds by about 20% over the medium-long term).*
  - *Stocks are more volatile than bonds (in the medium – long term)*
  - *Interest rates have been on the rise and may have peaked – this is causing investors to ask if they should reduce their exposure to equities and buy bonds and fixed interest, which is what led to the briefing.*
- *Factually:*
  - *The rises in interest rates as reflected in the OCR and the bond and fixed interest securities markets lag the inflation rate by around 1.5% or more if you look at the household experience of inflation which seems to be ahead of the oft quoted all-encompassing rate of general inflation.*
  - *The cost of switching from equities to fixed interest generally results in realisations lower than the longer run values of the equities. To that 'loss' must be added transaction costs, plus the costs of issue or the purchase of bonds and investors still end up with yields that are lagging inflation.*
- *At the end of the briefing I checked my understanding and take out as summarised above with a small group of people who oversee funds of around the same size or larger than those of the Lands Trust. They all found the briefing useful and confirmed that they will not be changing the mandates for their portfolios in the direction of increased bonds and fixed interest.*

*I don't see any signals that the Trust should review the investment mandate for managed funds right now. If there are major global political changes or changes or shocks to the structures of the global finance system then we would need to consider the impacts of those (positive and negative) when facts and trends are becoming clear.*

*In the meantime I believe that our stance as long term investors with a well-balanced and monitored is appropriate to our duties as Trustees. "*



### **Schedule annual risk review of investment portfolio**

A&R Committee to do an annual risk review of the investment portfolio in April / May 2024 with the intent that an annual review would be carried out from then on.

**Due Date:** 4 Mar 2024

**Owner:** Helga Perry

## **3.2 Health & Safety**



### **Health and Safety Review**

The committee noted there is a review of the health and safety strategy currently underway and this will be held as work in progress until a legal opinion is received on the clarity around PCBU responsibilities. The board charter will be updated alongside the full review.

**Decision Date:** 9 Nov 2023

**Mover:** Derek Williams

**Seconder:** Phil Holden

**Outcome:** Approved

The committee received the update paper prepared by the Trust Manager.

## **4. Public excluded**

### **4.1 The Chair to move that the meeting moves to In-Committee**



#### **Move into public excluded at 10.27am**

The committee moved into public excluded to discuss agenda item 5.1

**Decision Date:** 9 Nov 2023

**Mover:** Phil Holden

**Seconder:** Steve Meyrick

**Outcome:** Approved

## **5. General Business**

### **5.1 Auditor**

Public Excluded

## 6. Into public

### 6.1 Move into public session



#### Move back into public session at 10.37am

The committee moved back into public in order to close the meeting.

**Decision Date:** 9 Nov 2023  
**Mover:** Phil Holden  
**Seconder:** Derek Williams  
**Outcome:** Approved

## 7. Follow up on action items

### 7.1 Action List

Due Date	Action Title	Owner
16 Aug 2023	Response to auditor's Management Letter to Trustees <b>Status:</b> Completed on 16 Aug 2023	Helga Perry
16 Aug 2023	Response to auditor's Management Letter to Trustees <b>Status:</b> Completed on 16 Aug 2023	Helga Perry
16 Aug 2023	ToR - amendment approval by Board <b>Status:</b> Completed on 16 Aug 2023	Helga Perry
16 Aug 2023	ToR - amendment approval by Board <b>Status:</b> Completed on 16 Aug 2023	Helga Perry

## 8. Next Meeting

### 8.1 Date to be confirmed

Next meeting to be held early February with main agenda items being first review of draft 2024/25 budget and health and safety review.

## 9. Close Meeting

### 9.1 Close the meeting

**Next meeting:** No date for the next meeting has been set.

### New Actions raised in this meeting

Item	Action Title	Owner
3.1	Schedule annual risk review of investment portfolio <b>Due Date:</b> 4 Mar 2024	Helga Perry

Signature: \_\_\_\_\_

Date: \_\_\_\_\_