

External Auditor Relationship Framework

General

Napier Port Holdings Limited (**Napier Port**) is required to comply with the requirements of the NZX Listing Rules (the **Listing Rules**). Napier Port is committed to maintaining external financial auditor independence consistent with the requirements of the Listing Rules as well as best practice.

Under the Audit and Risk Management Committee Charter (the **Charter**), Napier Port's Audit and Risk Management Committee has oversight and responsibility for Napier Port's external audit arrangements. This External Auditor Relationship Framework (this **Framework**) complements the Charter by outlining requirements in relation to the provision of services to Napier Port by any external auditor on behalf of the Auditor General.

Purpose

The purpose of this Framework is to ensure that the independence of Napier Port's external auditor is not impaired, or put in a position where it could reasonably be perceived to be impaired, such that Napier Port's external financial reporting is viewed as highly reliable and credible.

Scope

This Framework applies to Napier Port and all of its subsidiaries (the **Napier Port Group**).

External Auditor

As a Council Controlled Organisation under the Local Government Act 2002, the auditor of Napier Port is the Auditor General. The Auditor General may approve external audit firms to undertake the external audit of Napier Port.

Subject to any requirements of the Auditor General, the Audit and Risk Management Committee shall only recommend to the Board the approval of the engagement of an external audit firm if that firm:

- is registered and its audit partners are licensed in accordance with the provisions of the Auditor Regulation Act 2011;
- would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgment on all issues encompassed within the external auditor's engagement;
- has not, within two years prior to the commencement of the external audit, had as a member of its audit engagement team Napier Port's Chief Executive Officer, Finance

Director, or any member of Napier Port's senior management who acts in a financial oversight role; and

- does not allow the direct compensation of its audit partners for selling non-audit services to Napier Port.

External Auditor Rotation

The approval of any continued engagement of the external auditors is to be recommended annually by the Audit and Risk Management Committee to the Board.

Rotation of the external auditor or the Napier Port Group's lead and engagement external audit partners is required at least every five years, with a mandatory two year stand down period to be completed before the external auditor's or partner's next engagement with the Napier Port Group. All other audit partners will be required to rotate every five years and will be subject to the same two year stand down period.

Hiring of Staff from the External Audit Firm

The hiring by any member of the Napier Port Group of any former audit partner or audit manager must first be approved by the Chair of the Audit and Risk Management Committee.

There are no other restrictions on the hiring of other staff from the audit firm.

Provision of Services

The guidelines that follow are designed to ensure that services provided by Napier Port's external auditors are not perceived as conflicting with the independent role of the external auditor.

The general principles to be applied in assessing the provision of services are as follows:

- there should be no relationship between the external auditor and Napier Port (or its directors and management) that could compromise the auditor's independence;
- the external auditor should not have any involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work. This includes the provision of valuation services where such valuation forms an input into any audited financial information;
- the external auditor should not perform any function of management, or be responsible for making management decisions;
- the separation between the internal and external audit functions should be maintained;

- the external auditor should not be responsible for the design or implementation of financial information systems; and
- the external auditor should not be an advocate of Napier Port.

Non-audit services

The external auditor's firm cannot perform any non-audit work which could be reasonably regarded as compromising the independence of the external auditor. Non-audit services which the external audit firm are not permitted to provide include (but are not limited to) the following:

- (a) tax compliance;
- (b) management functions;
- (c) involvement in Napier Port's internal audit programme;
- (d) book keeping/other services related to accounting records or financial statements;
- (e) the design or implementation of financial information systems;
- (f) appraisal/valuation services/opinions as to fairness;
- (g) structured finance advice;
- (h) due diligence services related to acquisition or disposal of assets or businesses;
- (i) legal services (these are services that could only be provided by a person who is qualified in law);
- (j) tax planning and strategy services;
- (k) broker/dealer/investment advisory/investment banking services;
- (l) services of an expert as an advocate;
- (m) assistance with liquidations and receiverships;
- (n) actuarial services;
- (o) human resource services; and
- (p) expert witness services.

Where a matter is not specified, is unclear, or where a variation to this Framework is sought, the Chair of the Audit and Risk Management Committee must approve the provision of other services and advise of such decisions at the next meeting of the Audit and Risk Management Committee and the Board.

Communications with, and from, External Auditors

It is important that the Audit and Risk Management Committee has a direct line of communication with the external auditor to sustain communications. The Audit and Risk Management Committee should be entitled to have private meetings with the external auditor (without management being present) to provide additional opportunity for dialogue and feedback.

Napier Port will ensure that its external auditor attends each Annual Meeting and that the external auditor is available to answer questions from investors relevant to the audit.

Procedural Requirements

Billing arrangements

The billing arrangements for services provided by Napier Port's external auditors should not include any contingent fees (e.g., where a success fee is paid depending upon whether a transaction proceeds or not).

The external auditors are required to advise of all audit and non-audit fee information to the Audit and Risk Management Committee annually.

Fees

While this policy does not prescribe any particular ratio of "other service" fees to audit fees, this ratio should be monitored by the Audit and Risk Management Committee. Accordingly, the nature of services provided by Napier Port's external auditors and the level of fees incurred should be reported to the Audit and Risk Management Committee in detail on a semi-annual basis to enable the Audit and Risk Management Committee to perform its oversight role.

External Auditor Quality, Independence and Compliance

Regardless of Napier Port's policies, it is expected that Napier Port's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issued by the Financial Markets Authority, Chartered Accountants Australia & New Zealand and other relevant overseas accounting bodies).

The Audit and Risk Management Committee will require the external auditor to confirm annually to the Board that it is independent of the Napier Port Group and that it has complied with all professional regulations relating to auditor competency and independence.

In accordance with the Charter, the Audit and Risk Management Committee will continually monitor the audit quality and any identified threats to auditor independence. Any such issues will be managed by the Chair of the Audit and Risk Management Committee in consultation with the Audit and Risk Management Committee.

External Audit Services provided by Firms other than the External Auditor

The Audit and Risk Management Committee and the Auditor General (to the extent required under the Local Government Act 2002, Napier Port's arrangements with the Auditor General, and all applicable guidelines and requirements promulgated by the Office of the Auditor General) must pre-approve all external audit and assurance services by firms other than the external auditor. Any firm providing such services must meet the requirements of the "External Auditor" section of this Framework. Any waivers from those requirements must be approved by the Chair of the Audit and Risk Committee and notified to the Board.

Review

This policy will be reviewed by the Board biennially.