

# Audit & Risk Management Committee Charter

## I. Constitution

The Napier Port Holdings Limited (**Napier Port**) Audit and Risk Management Committee (the **Committee**) shall be a committee of the board of directors of Napier Port (the **Directors** and the **Board**) established by resolution of the Board.

## 2. Purpose and objectives

The purpose of the Committee is to assist the Board in fulfilling its responsibilities in respect of the quality and integrity of financial reporting, independence and performance of the external auditor, effectiveness and objectivity of the internal audit programme, and oversight of the internal control system for financial reporting, accounting records, business risks and compliance activities.

The objectives of the Committee are to:

- assist the Board in discharging its responsibilities in respect of financial reporting, other accounting requirements and regulatory compliance;
- discharge the responsibilities of an issuer's audit committee as required under the NZX Listing Rules and the NZX Corporate Governance Code;
- ensure an effective internal audit process and internal control system is maintained;
- oversee, monitor and review the performance of the internal and external auditors and the integrity of the audit process as a whole;
- assess the qualifications and independence of the external auditor and ensure that the external auditor's independence is maintained;
- review the financial reporting process, the system of internal financial control and the external audit process;
- review and ratify Napier Port's systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems;
- act as a formal forum for free and open communication between the Board, internal and external auditors and management; and
- ensure an appropriate framework is maintained for the management of strategic and

operational risk.

The NZX Listing Rules specify that the responsibilities of an issuer's audit committee include:

- ensuring processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters;
- recommending the appointment and removal of the independent auditor;
- meeting regularly to monitor and review the independent and internal auditing practices;
- having direct communication with, and unrestricted access to, the independent auditor and any internal auditors or accountants;
- reviewing financial reports and advising all directors as to whether they comply with the appropriate laws and regulations; and
- ensuring that the "Key Audit Partner" is changed at least every five years.

This Charter outlines the Committee's authority, duties, responsibilities and relationship with the Board. The Board has delegated certain functions and responsibilities to the Committee for which the Committee is responsible. Other than those specifically delegated functions and responsibilities, the Committee does not take actions or make decisions on behalf of the Board.

The Committee will ensure that this Charter appears on Napier Port's website. This Charter is supplemented by the Risk Management Framework adopted by the Board.

### 3. Membership

Members of the Committee shall comprise solely of non-executive Directors of Napier Port appointed by the Board.

The number of members of the Committee shall be not fewer than three and the majority of whom shall be independent Directors and at least two will have an accounting or financial background.

A member of the Committee will be deemed to have an accounting or financial background if he or she:

- is a member of the Chartered Accountants Australia & New Zealand or recognised professional accountancy body of equivalent standing;

- has held a Finance Director position (or equivalent position) at a listed issuer for a period of greater than 24 months;
- has successfully completed a course approved by NZX for audit committee members; or
- has the experience and/or qualifications deemed satisfactory by the Board.

The Board shall appoint a Chair from the members of the Committee. The Chair of the Committee will be an independent Director and will not otherwise have a longstanding association with the external audit firm of Napier Port as a current, or retired audit partner or senior manager at the firm. The Chair of the Board shall not be Chair of the Committee. However, all Directors may attend the Committee meetings at their discretion.

The membership of the Committee shall be reviewed annually by the Board and confirmed after the first Board meeting after the annual meeting each year.

## 4. Responsibilities and duties

To meet its objectives, the following functions and responsibilities of the Board are delegated to the Committee:

### Duties with respect to the external audit function:

- Reviewing the annual audit plan with the external auditors;
- Reviewing reports from the auditors on any material findings in accounting and internal control systems that come to the auditors' attention;
- Discussing any difficulties, reservations, differences of opinion or other matters arising from the external auditors' findings;
- Ensuring that recommendations in audit management reports are considered, and if appropriate, actioned by management;
- Making recommendations on the appointment and removal of the external auditor, which are to be made in conjunction with the office of the Auditor General;
- Reviewing and considering the performance and cost effectiveness of the auditor;
- Making recommendations to the Board as to the audit fees payable to the external auditor;
- Reviewing the independence of the external auditors and the appropriateness of any

non-audit services they undertake for Napier Port;

- Having direct communication with the independent auditor;
- To the extent not otherwise covered above, reviewing and monitoring the independent audit programme and practices; and
- Ensuring that the external auditor, or “Key Audit Partner” (as defined in the NZX Listing Rules) at the external auditor, is changed at least every five years.

#### Duties with respect to the internal audit programme:

- Reviewing the objectives and scope of the internal audit programme;
- Ensuring these objectives are aligned with Napier Port’s overall risk management framework;
- Reviewing significant matters reported by the internal audit programme and how management is responding to them;
- Reviewing and monitoring the internal audit programme and practices;
- Having direct communication with those involved with the internal audit programme;
- To the extent not otherwise covered above, reviewing and monitoring the internal audit programme and practices; and
- Ensuring that the internal audit programme is adequately resourced and has appropriate authority and standing within Napier Port.

#### Duties with respect to the annual and interim financial statements, focussing particularly on:

- Reviewing the quality and acceptability of the accounting policies and practices, reporting disclosures and changes thereto;
- Reviewing areas involving significant judgement, estimation or uncertainty;
- Overseeing compliance with financial reporting standards and relevant financial and governance reporting requirements;
- Reviewing and approving all financial reporting to shareholders and other stakeholders where significant;
- Advising all Directors as to whether financial reporting to shareholders and other

financial reports required by law comply with appropriate laws and regulations;

- Assessing the overall performance of financial management; and
- Reviewing the frequency and significance of all transactions between Napier Port and related parties and assessment of their propriety.

#### Duties with respect to key risk areas:

- Ensuring that management is implementing Napier Port's risk management framework and policies;
- Monitoring of corporate risk assessments and the internal controls instituted;
- Ensuring that these assessments, policies and controls adequately cover key financial risk areas such as treasury and interest rate risk, project risks and foreign currency exchange risk;
- Reporting to the Board on any incident involving fraud or other breakdown of Napier Port Group's internal controls;
- Recommending to the Board in relation to Napier Port's insurance programme, having regard to its business and in the insurable risks associated with its business;
- Recommending to the Board whether Napier Port's risk management processes as a whole are sufficient.

#### Other duties:

- Monitoring management's response and actions to any reported areas of regulatory or other non-compliance; and
- Supervising special investigations when requested by the Board.

In addition, the Committee shall examine any other matters referred to it by the Board or management.

## 5. Secretarial / meetings

Meetings shall be held not less than two times a year having regard to Napier Port's reporting and audit cycle. Any member of the Committee, other Board members, the Chief Executive Officer, the Chief Financial Officer or the external auditors may request a meeting at any time if they consider it necessary.

Reasonable notice of meetings and the business to be conducted shall be given to the members of the Committee, all other members of the Board, the Chief Executive Officer, the Chief Financial Officer and any relevant external parties including auditors.

A quorum of members of the Committee shall be two. No business may be transacted at a meeting of the Committee unless a quorum is present.

The Committee may have in attendance such members of management including the Chief Financial Officer, and such other persons including the external auditors, as it considers necessary to provide appropriate information and explanations. Any members of management in attendance at Committee meetings must be invited to attend such meetings.

All Directors shall be entitled to attend meetings of the Committee provided that executive Directors shall not be entitled to attend those meetings which the Committee chooses to hold without any company executives present.

The Committee should provide for discussion without management present as a standing agenda item at each meeting of the Committee. Unless the Chair of the Committee determines otherwise, the external auditors may be invited to attend each meeting of the Committee.

The Chair of the Committee will generally meet with management and the external auditors (either together or separately as the Chair of the Committee deems appropriate) before each Committee meeting and at other times as required.

Minutes of all meetings shall be kept and approved by the Committee in a timely manner. Committee documents including minutes, management papers and other relevant material will be released to all members of the Board, including Directors who are not members of the Committee for their information, and to such other persons as the Board directs.

The secretary of the Committee shall be appointed by the Board.

## 6. Authority

The Committee is delegated the authority by the Board to:

- discharge the purpose and objectives of the Committee set out in section 2, and the responsibilities and duties set out in section 4 of this Charter, including reviewing and approving policies pertaining to those sections;
- investigate any other activity within its functions and responsibilities detailed in this Charter or as authorised by the Board;
- seek any information or assistance it requires from any employee of the Napier Port Group and all employees will be directed to co-operate with any request made by the

Committee;

- obtain outside legal or other independent professional advice as required, and arrange for the attendance of such persons at meetings who have prepared such information or advice, with associated costs to be paid by Napier Port;
- have direct communication with, and unrestricted access to, management and internal and external auditors or accountants,

in each case to the extent the Committee deems necessary to carry out its functions and responsibilities.

The Committee shall have such other powers as may from time to time be expressly delegated to the Committee and which the Board is not prohibited from delegating to the Committee.

Management is responsible for:

- the preparation, presentation and integrity of the financial statements;
- implementing and maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations; and
- implementation of the risk management framework.

The external auditors are responsible for planning and carrying out each audit and review, in accordance with applicable auditing and review standards. The external auditors are accountable to shareholders through the Committee.

## 7. Review of the Committee and the terms of reference

The Committee shall undertake an annual self-review of its objectives and responsibilities and of its terms of reference and performance having regard to:

- the purpose, objectives, duties and responsibilities of the Committee as set out in this Charter; and
- best practice corporate governance standards including but not limited to the most recently published NZX Corporate Governance Code.

Such objectives, responsibilities, Committee performance and terms of reference shall also be reviewed by the Board.

## 8. Communication and reporting procedures

The Committee shall maintain direct lines of communications with the external auditors, the Chief Executive Officer, the Chief Financial Officer, the internal auditors and with management generally including those responsible for non-financial risk management.

The Chief Executive Officer and the Chief Financial Officer shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of Napier Port, any material breakdown in internal controls, and any material event of fraud or malpractice.

After each Committee meeting, the Chair of the Committee shall report the Committee's findings and recommendations to the Board. In addition, the Chair of the Committee will report to the Board summarising the Committee's activities during the year and any related significant findings and results.

## 9. Review of the charter

The Board shall review this charter annually.