

External Auditor Relationship Framework

1. Policy Statement

- 1.1 The objective of this policy is to ensure that South Port New Zealand (SPNZ) has external audit independence in line with best practice to ensure reliable and credible financial reporting.
- 1.2 This policy is to be reviewed and, if necessary, updated every two years or as required following any significant change to the business.

2. Statement of Purpose

- 2.1 The policy defines the services that may or may not normally be performed by SPNZ's external auditors and the responsibilities of both parties. This policy complements the Audit and Risk Committee (ARC) Charter which specifies the relevant ARC responsibilities, including (but not limited to):
 - Providing assistance to the Board in exercising due care in relation to the oversight of the integrity of the external financial reporting;
 - Overseeing and monitoring the performance of the external auditor;
 - Assessing the external auditor's independence and qualifications and ensuring that the external auditor's independence is maintained; and
 - Acting as a formal forum for free and open communication between the Board and the external auditors and management.

3. Appointment of the External Auditor

- 3.1 All external auditors are appointed by the Office of the Auditor General (OAG). The South Port Board will only support the appointment of an external auditor if that audit firm:
 - Would be regarded by a reasonable investor, with full knowledge of all the relevant facts and circumstances, as capable of exercising objective and impartial judgement on all issues encompassed within the auditor's engagement;
 - Annually confirms their compliance with the professional standards and ethical guidelines of Chartered Accountants Australia and New Zealand (CAANZ), to evidence their competence;
 - Ensure that their staff do not work on any reporting engagement for SPNZ during the term, and within two years after work is completed, whether in a temporary, permanent or contract position with SPNZ;
 - Monitors its independence and reports to SPNZ's ARC biannually that it has remained independent during the previous six months, in accordance with this policy, its firm's policies and professional requirements;
 - Does not allow its audit partners to generate any direct compensation for selling non-audit services to SPNZ; and

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- Commits to rotate their senior audit partner and review partner at least every five years, with a suitable cooling down period before coming back to SPNZ, and suitable succession planning to ensure continuity.

4. Responsibilities of SPNZ

4.1 To ensure audit quality at SPNZ and to allow for an effective audit service by suitably qualified professionals, SPNZ commits to:

- Facilitating a high-quality audit for which payment at fair commercial rates will be made. These fees will be reviewed by the ARC and approved by the Board;
- Providing a report from management to the ARC on an annual basis detailing the level of fees paid to the external auditor differentiating between audit and non-audit services;
- Not hiring any current or former audit partner or audit manager without the explicit approval of the Chair of the ARC;
- Ensuring that no unreasonable restrictions are placed on the external auditors by the Board or SPNZ management. To enable the ARC to monitor this requirement, the external auditors will report to the ARC in writing, at the same time as it reports in respect of its independence, as to whether this requirement has in the external auditor's opinion been satisfied during the previous six months; and
- Providing a formal and transparent procedure for sustaining communication with the external auditors.

5. Responsibilities of the External Auditor

5.1 The ARC will require the external auditor to confirm annually that it has complied with all professional regulations relating to auditor competency and independence. Explicitly, the external auditor will be required to confirm its commitment to strict procedures as follows:

- The external auditor, its partners and staff do not have any financial interest in SPNZ;
- There are no business relationships between SPNZ and the external auditor, beyond the provision of external audit services or approved services provided in line with this policy;
- There are no immediate family or personal relationships between members of the audit team and SPNZ directors or employees who can exert significant influence over the preparation of the financial statements;
- No fee paid by SPNZ to the external auditor is paid on a contingency basis; and
- Fees for consultancy services provided by the external auditor do not exceed the fees paid for the core audit services at the half year and full year audit (unless explicitly approved by the Chair of the ARC).

6. Provision for non-audit services by SPNZ's external auditor

6.1 SPNZ has adopted the following guidelines to ensure that related services provided by the external auditors are not perceived as conflicting with the independence role of the

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auditor. The general principles to be applied in assessing related services are as follows:

- The external auditor may 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 valuation services where such valuation forms an input into the financial information;
- The external auditor may not perform any function of management or be responsible for making management decisions;
- The external auditor may not be responsible for the design or implementation of financial information systems; and
- The separation between internal and external audit should be maintained.

7. Services which can be performed by the External Auditor

7.1 Examples of work which can be performed by the external auditor include:

- Financial and IT audits, both of financial statements and existing company systems and processes;
- Audits of regulatory requirements;
- Advice on appropriate accounting standards, policy and the interpretation and application thereof;
- Due diligence services;
- Technical training and best practice updates;
- Other pre-approved services not listed above.

8. Services which cannot be performed by the External Auditor

8.1 No work will be approved in the following areas:

- Undertaking any work in relation to the preparation of the financial statements or accounting records, including any bookkeeping and payroll services;
- Design and implementation of key financial information systems and processes;
- Valuation of assets and liabilities that are material to the financial statements;
- Corporate finance or investment banking type services;
- Liquidations and receiverships;
- Management functions;
- Serving as a director or officer of SPNZ;
- Secondment of staff;
- Tax computations;
- Tax planning and development;
- Internal audit services;
- Assistance in the recruitment of senior management;
- Legal services.

8.2 Where not specifically addressed above, or where a variation to this policy is sought, the Chair of the ARC is to be consulted and the service cannot be provided unless the express permission is subsequently provided by the Chair.

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9. Application

9.1 This policy applies to the external audit firm providing audit services to SPNZ.

SPNZ reserves the right to amend, update or withdraw this policy without prior notice and will review this policy as required in the event of a change in legislation or practice.

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