

TERMS OF REFERENCE

AUDIT AND RISK COMMITTEE

Constitution

The Audit and Risk Committee is one of two standing committees of the Board established by the Board. The other standing committee of the Board is the Health, Safety and Environmental Governance Committee, whose purpose is to exercise due diligence of health and safety and environmental matters.

The Audit and Risk Committee must observe the same rules of conduct and procedures as the Board unless the Board determines otherwise.

Objectives

The objective of the Committee is to assist the Board in fulfilling its responsibility to exercise due care, diligence and skill in all matters related to accounting and external reporting, external audit, internal audit, internal control, finance, compliance, and risk management (including oversight of the insurance programme but excluding determining the Company's risk appetite and risk tolerance).

Membership

Members of the Committee shall comprise members of the Board appointed by the Board and will hold office until changed by Board resolution. The number of members of the Committee shall be no fewer than three. The Board shall appoint a Chair who cannot be the Chair of the Board. The Committee will have at least one member with an accounting or financial background, and all other Committee members must be financially literate. In addition, some members should have an understanding of the industry in which Port Taranaki operates.

A quorum of the Committee shall be two. The Committee may co-opt any other Director in the event that one of the Committee members is absent or unavailable. Any Director so co-opted shall be counted as part of the quorum. The Chief Executive and the Chief Financial Officer will attend meetings of the Committee by invitation. Other representatives of Management as considered appropriate may also attend meetings by invitation.

Authority

The Committee does not have the authority to take actions or make decisions in the Board's name or on its behalf unless specifically authorised by this Terms of Reference or as directed by the Board. The Committee will make recommendations to the Board as set out in this Terms of Reference.

Directors have complete access to members of Management as it considers necessary to provide appropriate information and explanations.

Directors have complete access to the external auditors without Management present.

The Committee is authorised by the Board to seek any information that it requires from any employee (and all employees are directed to co-operate with any request made by the Committee) or any external persons.

The Committee is authorised by the Board to obtain, at the expense of the Company, outside legal or other independent professional advice as it sees necessary in carrying out its responsibilities. The Committee is authorised by the Board to arrange, at the expense of the Company, the attendance of outside parties with relevant experience and expertise at meetings, as it sees fit.

Committee members are entitled to rely on information or advice from Management and employees on matters within their responsibility, and on external professional advisers or experts (including the Company's auditors) on matters within their professional or expert competence, provided that:

- Committee members do not know, or have reason to believe, that such reliance is unwarranted;
- Committee members have reasonable grounds to believe that each person on which the Committee relies is reliable and competent in relation the matters concerned; and
- Committee members make proper inquiry where the need for inquiry is indicated by the circumstances (including whether further information is required or available in order to make a decision on a given matter).

Each Committee member must apply an independent and enquiring mind, as well as his or her own knowledge of the Company and its business, to evaluate a given matter, and to form his or her own opinion on that matter. Each Committee member must not substitute any information or advice provided by Management or an employee or external professional adviser for his or her own examination of important matters.

The Board may rely on information provided by the Committee and its members in relation to matters within the Committee's responsibility as set out in this Terms of Reference. The Board must not substitute any information or advice provided by the Committee for his or her own examination of important matters.

It is the responsibility of each Committee member to bring to the attention of the Committee any issue which a Committee member becomes aware of which is relevant to the ability of the Committee to fulfil its responsibilities as set out in the Terms of Reference.

The Committee may delegate any of its responsibilities to the Chair of the Committee or a subset of its members from time to time and on such terms as the Committee considers appropriate.

Responsibilities

The duties and responsibilities of the Committee will be those delegated by the Board from time to time and shall include (without limitation):

Accounting and External Reporting

- Gain an understanding of the current areas of greatest financial risk and how these are being managed.
- Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements.
- Review and approve all significant accounting policies, systems, controls and practices and any changes to them, ensuring that they comply with generally accepted accounting principles and/or statutory requirements.
- Review the Company's annual and interim financial statements and recommend to the Board the adoption of the annual and interim financial statements.
- Consider, in reviewing the interim and year-end financial statements:
 - the underlying quality of the financial reporting;
 - changes to accounting policies;
 - any significant accounting estimates and judgements included in the financial statements;
 - the accounting implications of new and significant transactions;
 - the appropriate treatment and classification of costs as between capital and revenue;
 - the propriety of related party transactions;
 - performance against Statement of Corporate Intent (SCI) targets;
 - the Chief Executives and Chief Financial Officers letter of representation that the Company's financial reports represents and true and fair view in all material respects of the Company's financial position and operational results and are in accordance with relevant accounting standards; and
 - the Company's solvency and its status as a going concern.
- Monitor the integrity of the Company's financial statements.
- Monitor the Company's tax position and areas of potential tax risk.

- Review and monitor related party transactions.
- Review and approve accounting policies.

External Audit

- Review the external auditor's fees and terms of engagement.
- Provide feedback on behalf of the Board to the Office of the Auditor General on matters relating to the performance of the external auditor and participating in the decision making process when the Office of the Auditor General undertakes a rotation of the lead audit partner.
- Review the independence of the external auditor and pre-approve all non-audit services it undertakes for the Company.
- Review and approve the annual audit engagement letter and audit plan from the external auditor.
- Review the Letter of Representation to the auditor with respect to the annual financial statements.
- Review the audit reports and ensure that recommendations are actioned.
- Meet with the external auditor without Management present to discuss practices and issues surrounding financial governance.

Finance

- Review and recommend to the Board the Company's Capital Management Policy.
- Monitor the Company's debt and interest position and overall cash and treasury management.
- Review, approve and execute any Director certificates required pursuant to the Company's debt facilities on behalf of the Company, provided that two members carry out such execution.
- Review and recommend to the Board the Company's Treasury Policy.
- Assess submissions from Management requesting approval for transactions outside the Treasury Policy for subsequent recommendation to the Board.
- Assess all new external borrowing facilities and refinancing activities for subsequent recommendation to the Board.
- Review a semi-annual Treasury Report.
- Review the requisite documentation for managing interest rate exposures for subsequent recommendation to the Board.
- Review and recommend to the Board the Company's Tax Policy.

Internal Audit and Control

- To review and approve the internal audit programme.
- To receive and review the findings of the internal audit programme.
- Ensure that the recommendations highlighted in the internal audit reports are actioned by Management.
- Oversee the independence and objectivity of internal audit.
- Monitor the adequacy and effectiveness of internal controls.
- Recommend to the Board the delegation of authority levels and limits within the business.

Compliance

- Biannually review compliance with applicable laws, regulations and standards.
- Monitor potential legislative and regulatory changes.

Risk Management

- Monitor the Company's corporate risk assessment and the risk controls.
- Review the Risk Management Policy.
- Review the risk management plan.
- Review the Company's principal enterprise risks on an annual basis.
- Review the Company's insurance covers and recommend the annual renewal of policies to the Board.
- Review, on an annual basis, the Company's business continuity plans.

General

- Supervise special investigations when requested by the Board.
- Review the findings of any examination relating to the Company's financial matters by any regulatory or Government agency.

Secretarial and Meetings

- The Secretary of the Committee shall be appointed by the Committee.
- All Directors shall be entitled to attend meetings of the Committee.
- 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, the Chief Financial Officer, the Financial Controller and the external auditors.

- Meetings shall be held not fewer than three times a year having regard to the Company's reporting and audit cycle.
- Any member of the Committee, the Chief Executive, the Chief Financial Officer, or the external auditors may request a meeting at any time if they consider it necessary.
- If the Chair is absent from a meeting, the attending members of the Committee shall elect one of themselves to chair the meeting.
- Minutes of all meetings shall be kept.

Review of the Committee and the Terms of Reference

The Committee shall undertake an annual self-review of its objectives and responsibilities, and a biennial review of its Terms of Reference. Such objectives, responsibilities and Terms of Reference shall also be reviewed by the Board, the Chief Executive, the Chief Financial Officer and any other person the Board considers appropriate.

Annually, the Board will review the composition of the Committee.

Reporting Procedures

The Committee shall maintain direct lines of communication with the external auditors, the Chief Executive, the Chief Financial Officer and with Management responsible for risk management.

The Chief Executive 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 the Company, any breach of internal controls, and any material event of fraud, theft or malpractice.

After each Committee meeting the Chair shall report the Committee's findings and recommendations to the Board. The minutes of all Committee meetings shall be circulated to members of the Board and to such other persons as the Board directs.

Approved 15 February 2022.