



PORT OF TAURANGA LIMITED

AUDIT COMMITTEE CHARTER

1 Objectives

The primary objective of the Audit Committee of Port of Tauranga Limited (POTL) is to assist the Board of Directors in fulfilling its overall financial reporting responsibilities. The Audit Committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, and POTL's process for monitoring compliance with laws and regulations. In addition, the Committee will:

- 1.1 Oversee and appraise the quality of the audits conducted by POTL's external auditors.
- 1.2 Maintain open lines of communications among the Board, any internal auditors and the external auditors, to exchange views and information. The Committee will also confirm their respective authority and responsibilities.
- 1.3 Serve as an independent and objective party to review the financial information presented by Senior Management to shareholders, regulators and the general public and also assisting in the development of the future format and content of external reporting.
- 1.4 Determine the adequacy of the organisation's administrative, operating and accounting controls.
- 1.5 Ensuring processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters.

2 Authority

The Board authorises the Audit Committee, within the scope of its responsibilities to:

- 2.1 Seek any information it requires from:
 - any employee (and all employees are directed to co-operate with any request made by the Audit Committee); and
 - external parties.

- 2.2 Obtain outside legal or other professional advice.
- 2.3 Ensure the attendance of Senior Management at meetings as appropriate.
- 2.4 The Committee will make recommendations to the Board on all matters requiring a decision from the Board. The Committee doesn't have the power or authority to make a decision in the Board's name or on its behalf.

3 *Composition*

The Audit Committee should comprise solely of non-executive Directors, the majority of which should be independent.

The Audit Committee should be of sufficient size (minimum of three members), independence and technical expertise to discharge its mandate effectively. Technical expertise is defined as:

The Audit Committee should include members who are all financially literate (ie able to read and understand financial statements); at least one member who has financial expertise (ie is a qualified accountant or other professional with experience of financial and accounting matters); and some members who have an understanding of the industry in which the entity operates.

4 *Term of Membership*

The Board will review the composition of the Audit Committee annually.

5 *Chair*

- 5.1 The Board shall appoint a Chair from the members of the Audit Committee.
- 5.2 The Chair of the Audit Committee cannot also be the Chair of POTL. If the Chair is absent from a meeting, the Committee Members present may select one of them to act as Chair for that meeting.
- 5.3 The Chair shall be an independent Director.
- 5.4 The Chair will not have a casting vote. If there is a tied vote, the motion will lapse.

6 *Meetings*

- 6.1 The Committee will hold at least two regular meetings per year, and such additional meetings as the Chair shall decide in order to fulfil its duties. In addition, the Chair is required to call a meeting of the Committee if requested to do so by any Committee Members, POTL's Chief Executive, the Chief Financial Officer, or the external auditors.

- 6.2 The external auditors will attend, and the Chief Executive and Chief Financial Officer are normally invited to attend Committee meetings, but on occasions the Committee may wish to meet with the Auditors without management being present.
- 6.3 The Chair of the Committee will appoint an appropriate person to act as Secretary of the Committee who shall be responsible, in conjunction with the Chair, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee Members prior to each meeting.
- The Secretary will also be responsible for keeping the minutes of meetings of the Committee, and circulating them to Committee Members and to the other members of the Board of Directors.
- 6.4 A quorum shall consist of a majority of Committee Members.
- 6.5 Any Director of the Board shall be entitled to attend a meeting of the Committee.
- 6.6 The Chair of the POTL Board will be an ex officio member of the Audit Committee (and not have the right to chair).
- 6.7 Following each meeting the Committee Chair will report to the Board on any matter that should be brought to the Board's attention.

7 Access

- 7.1 The Committee shall have direct communication with and unrestricted access to the external auditors and to Senior Management of the organisation. The Committee shall also have the ability to consult independent experts where they consider it necessary to carry out their duties.
- 7.2 The external auditors will have access to the Chair of the Committee at any time.

8 Duties and Responsibilities

The duties and responsibilities of the Committee are as follows:

Internal Control

- 8.1 Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities.
- 8.2 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
- 8.3 Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

- 8.4 Gain an understanding of the internal control systems implemented by management for the approval of transactions and the recording and processing of financial data.
- 8.5 Ensure that management has established a risk management framework which includes policies and procedures to effectively identify, treat, monitor and report key financial risks.

Financial Reporting

(a) General

- 8.6 Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively.
- 8.7 Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues.
- 8.8 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 8.9 Ask management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks.
- 8.10 Review any legal matters which could significantly impact the financial statements.
- 8.11 Review and approve any significant changes in accounting policy.
- 8.12 Review insurable risk management and report to the Board of Directors.
- 8.13 Review and monitor related party transactions.

(b) Annual Financial Statements

- 8.14 Review the annual financial statements and determine whether they are complete and consistent with the information known to Committee Members; assess whether the financial statements reflect appropriate accounting principles.
- 8.15 Pay particular attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures.
- 8.16 Focus on judgmental areas, for example those involving valuation of assets and liabilities; warranty, product or environmental liability; litigation reserves; and other commitments and contingencies.
- 8.17 Meet with management and the external auditors to review the financial statements and the results of the audit.
- 8.18 Review the other sections of the Integrated Annual Report before its release and consider whether the information is understandable and consistent with members' knowledge about POTL and its operations.

(c) Preliminary Announcements, Interim Financial Statements and Analysts' Briefings

- 8.19 Be briefed on how management develops preliminary announcements, interim financial information and analysts' briefings; the extent of internal audit involvement; and the extent to which the external auditors review such information.
- 8.20 Assess the fairness of the preliminary and interim statements and disclosures, and obtain explanations from management and internal and external auditors on whether:
- Actual financial results for the interim period varied significantly from budgeted or projected results.
 - Changes in financial ratios and relationships in the interim financial statements are consistent with changes in POTL's operations and financing practices.
 - Generally accepted accounting principles have been consistently applied.
 - There are any actual or proposed changes in accounting or financial reporting practices.
 - There are any significant or unusual events or transactions.
 - POTL's financial and operating controls are functioning effectively.
 - The preliminary announcements and interim financial statements contain adequate and appropriate disclosures.

Internal Audit

- 8.21 Consider POTL's overall audit requirements and recommend to the Board other assurance reviews.

External Audit

- 8.22 Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope.
- 8.23 Review the performance of the external auditors.
- 8.24 Consider the independence of the external auditor, including approving and reviewing the level of non-audit services provided and an assessment of any impact this may have on their independence.
- 8.25 Discuss any concerns with the appropriateness of external auditor with the Office of the Auditor-General.
- 8.26 Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 8.27 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
- 8.28 Ensure that management responds to recommendations by the external auditors.

- 8.29 Discuss with POTL's external auditors, judgements about the quality, not just acceptability, of POTL's accounting principles as applied in the financial reporting.
- 8.30 Ensure receipt from external auditors of a formal written statement delineating all relationships between auditor and POTL.
- 8.31 Review audit fees and management consulting services and related fees provided by the external auditors, and recommend to the Board audit fees additional to the base fee.

Compliance with Laws and Regulations

- 8.32 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- 8.33 Obtain regular updates from management regarding compliance matters.
- 8.34 Be satisfied that all financial regulatory compliance matters have been considered in the preparation of the financial statements.
- 8.35 Review the findings of any examinations by regulatory agencies.

Taxation

- 8.36 Ensure that Management complies with the requirements of tax legislation and that where considered appropriate, non-routine accounting transactions are referred to external tax advisors.
- 8.37 The Audit Committee to receive a copy of the tax agents' report for the year.

Reporting Responsibilities

- 8.38 Regularly update the Board about Committee activities and make appropriate recommendations.
- 8.39 Ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business.

Other Responsibilities

- 8.40 Perform other oversight functions as requested by the full Board.
- 8.41 If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.
- 8.42 Review and update the charter; receive approval of changes from the Board.
- 8.43 Evaluate the Committee's own performance on a regular basis.

9 Review

The Committee's Charter will be reviewed annually.