

External auditor independence policy

1.0 Purpose

The Audit and Risk Committee Charter requires the Audit and Risk Committee (ARC) to confirm the independence of the external auditor, including a review of non-assurance services provided and related fees, and any associated auditor independence threats and safeguards.

The objective of this document is to outline the Company's policy and procedures in relation to:-

- > auditor appointment and engagement to ensure that audit independence is maintained, is not impaired and could not reasonably be perceived to be impaired, in order to protect the Company's reputation for reliable and credible financial reporting,
- > sustaining communication with the auditor.

2.0 Approval of auditor

The ARC shall only recommend to the Board for approval, a firm to be auditor if that firm:

- > Would be regarded by a reasonable investor, with full knowledge of all relevant facts and circumstances, as capable of exercising objective and impartial judgement on all issues encompassed within the auditor's engagement, and
- > Does not allow the direct compensation of its audit partners to be linked to fees for non-audit services to the Company.

The external auditor must monitor its independence and report to the ARC biannually in writing that it has remained independent during the previous six months and that there is nothing which has impaired its ability to carry out its statutory audit role and there is nothing that could reasonably be perceived as impairing its ability to carry out that role.

3.0 Provision of non-audit services by the Company's external auditor

The ARC has adopted the following guidelines to ensure that 'related services' provided by the Company's auditor will not impair the ability of the auditor to carry out its statutory audit role and could not reasonably be perceived as impairing its ability to perform that role. 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 it might be perceived as auditing its own work. This includes the provision of valuation services where such valuation forms an input into audited 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
- > Separation between internal and external audit should be maintained.

4.0 Services permitted to be performed

The ARC must pre-approve the general nature of all assurance and 'related services' that are to be provided by the auditor. Aside from core assurance services, it is appropriate for the Company's auditor to provide the following services, with prior approval from the ARC:

- > Non-financial reporting assurance services
- > Listing advice
- > Due diligence services
- > Independent accountant's reports
- > Generic accounting/technical training
- > Benchmarking of executive remuneration, or
- > Other pre-approved services not listed below.

5.0 Services not permitted

It is not considered appropriate for the Company's auditor to provide:

- > Technical accounting policy advice (including opinions on compliance with New Zealand Generally Accepted Accounting Practice)
- > Bookkeeping/other services related to preparation of accounting records or financial statements
- > The design of financial information systems
- > Appraisal/valuation services
- > Outsourcing of internal audit services
- > Structured finance advice
- > Legal services (these are services that should only be provided by a person who is qualified in law)
- > Taxation, planning and strategy advice
- > Management functions
- > Broker/dealer/investment adviser/investment banking services
- > Staff on secondment, or
- > Assistance in the recruitment of senior management.

6.0 Billing arrangements

The billing arrangements for services provided by the external auditor should not include any contingent fees. Fees for approved non-assurance services should not exceed 50% of the fees for core audit services in any financial year without the formal approval of the ARC.

7.0 Other procedural requirements

The Chief Financial Officer will report in detail to the ARC biannually, the nature of services provided by the external auditor and any independence threats and



safeguards if applicable, and the level of fees incurred to enable the ARC to perform its oversight role.

Regardless of the Company's policies, it is expected that the Company's external auditor will rigorously comply with its own internal policies on independence and all relevant professional guidance (including independence rules and guidance issued by External Reporting Board, NZX and Financial Markets Authority).

Without management present, the audit partner will meet regularly with and will also report regularly to the ARC, the Chair of the Board or the Board at such times as may be necessary to sustain communication with the Board or its nominated representative, and which will be at least twice during each audit engagement.

Without any director present, the audit partner will meet regularly with and report regularly to the Finance Director, the Financial Controller, the Chief Financial Officer or the Chief Executive Officer at such times as may be necessary to sustain communication with management or its nominated representative, and which will be at least twice during each audit engagement.

The audit partner will attend the Company's annual general meeting to answer questions from shareholders in relation to the audit.

8.0 Auditor rotation

The continued appointment of the Company's external auditor is to be confirmed annually by the ARC.

In line with current professional standards, the Company requires the audit partners and review partners of its external auditor to change every five years.

9.0 Hiring of staff from the audit firm

The hiring of any former audit partner or audit manager must first be approved by the ARC.

For definitions of all capitalised terms contained in this document, please refer to our 'Glossary of terms', which can be found on the Company's website kp.co.nz/about-us/corporate-governance

Policy owner:	Chief Financial Officer
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Policy approver:	Board

