



EROAD LIMITED

External Auditor Independence Policy

EROAD will maintain external auditor independence consistent with regulatory and stock exchange requirements and current best practice in New Zealand for companies of similar nature and size.

PROCEDURES FOR SELECTION AND APPOINTMENT

The selection and appointment process for the external auditor ("Auditors") is based on:

1. the Auditors are reappointed annually at EROAD's Annual General Meeting unless:
 - a. the Auditors have given notice to EROAD that they do not wish to be reappointed; or
 - b. the Auditors cease to be qualified for appointment.

Should a. or b. arise EROAD will appoint new Auditors at the relevant Annual General Meeting in accordance with the Companies Act 1993.

2. EROAD's Finance Risk and Audit Committee is responsible for:
 - a. monitoring the performance of the Auditors; and
 - b. monitoring the independence, of the Auditors; and
 - c. implementing a selection process and making a recommendation to the Board.

The assessment of responses from potential Auditors takes into account a number of key criteria, including audit approach and methodology, internal governance processes, global capability, key personnel, business experience and understanding and cost.

Once the review process has taken place, the Finance Risk and Audit Committee provides the Board with information concerning the process adopted in undertaking the review, the recommended Auditors and the basis of the final recommendation.

ROTATION OF EXTERNAL AUDIT PARTNERS

EROAD requires the lead audit partner and review partner of its Auditors to rotate every seven years.

POLICY TO ENSURE EXTERNAL AUDITORS' INDEPENDENCE

This policy is designed to ensure that the Auditors remain independent.

1. The Auditors will annually agree audit scope and fee with the Finance Risk and Audit Committee.
2. The Auditors are required to abide by the independence regulations set out in the Code of Ethics on Independence issued by NZICA.
3. The CFO will ensure that services are only procured from the Auditors in accordance with the principles listed in the Non-audit Services section below.
4. The CFO will report at each Finance Risk and Audit Committee meeting the fees paid to the Auditors for non-audit services.

NON-AUDIT SERVICES

1. Non-audit Services which **can** be performed by the Audit firm include:
 - Assurance around systems and processes involving assessment and monitoring engagements;



- Audits of regulatory requirements, if required;
 - Reporting engagements to third parties e.g., prospectus opinions, bank compliance;
 - Advice on appropriate accounting standards and their interpretation and application;
 - Secondments of junior staff;
 - Internal audit;
 - Taxation services;
 - Assistance with the preparation of statutory financial statements of subsidiaries
 - Advice on the structuring of any deal, asset or company acquisition;
 - Due diligence activities (vendor and purchaser).
2. Non-audit Services which **cannot** be performed by the Audit firm include:
- Tax computations
 - Secondments to management positions;
 - Advice that has a direct and significant impact on the value of a material asset or liability;
 - Design or implementation of material information systems or processes;
 - Valuation of assets or liabilities that are material to the financial statements which will, therefore, be opined on by the Auditors;
 - Preparation of financial statements;
 - Liquidations and receiverships.

Where a service is not addressed above, or where a variation to this policy is requested, the Chairman of the Finance Risk and Audit Committee is to be consulted.

Provision of services other than audit or assurance type services shall be subject to the overriding limitation that, in any financial year, the fees for such services should not exceed two times the annual fees for the audit of the financial statements. If an engagement is to be accepted that means that total such fees will be in excess of this two times limit then acceptance requires FRAC Chairman approval.

REPORTING

The Auditors are required to report annually to the Finance Risk and Audit Committee on:

1. All relationships that may impact on their independence, including:
 - The provision of non-audit service.
 - Financial relationships.
 - Employment relationships.
2. Any other matters that may reasonably be thought to have a bearing on auditor independence.
3. That the Auditors are independent, having regard to their firm's policies, and NZICA rules regarding auditor independence.