

Audit Independence

Auckland Airport Policy

Purpose

The objective of this policy is to provide a framework to ensure that audit independence is maintained to protect Auckland International Airport Limited's ("**Auckland Airport**") reputation for reliable and credible financial reporting.

Oversight of Auckland Airport's external audit arrangements is the responsibility of Auckland Airport's Audit and Financial Risk Committee (the "**Committee**").

Approval of External Auditor

The Committee shall only recommend to the Auckland Airport Board for approval a firm to be external auditor if that firm:

- (a) is registered and its audit partners are licensed in accordance with the Auditor Regulation Act 2011;
- (b) 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 external auditor's engagement;
- (c) has not, within three years prior to the commencement of the audit, had as a member of its audit engagement team or had as a partner of its New Zealand partnership, Auckland Airport's Chair of the Committee, Chief Executive, CFO, Financial Controller or any member of Auckland Airport's Management who act in a financial oversight role; and
- (d) does not allow the direct compensation of its audit partners for selling non-audit services to Auckland Airport.

The external auditor must monitor its independence and report to the Committee bi-annually that it has remained independent during the previous six months.

The external auditor's independence must be confirmed to the Board in writing.

Provision of Non-Audit Services by Auckland Airport's External Auditors

The Committee has adopted the following guidelines to ensure that related services provided by Auckland Airport's external auditors are not perceived as conflicting with the independent role of the external auditor. The general principles to be applied in assessing related services are as follows:

- (a) 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 the provision of valuation services where such valuation forms an input into audited financial information;

- (b) the external auditor may not perform any function of management, or be responsible for making management decisions;
- (c) the external auditor may not be responsible for the design or implementation of financial information systems; and
- (d) the separation between internal and external audit should be maintained.

In determining whether the external auditor can perform non-audit services, the Committee should take into account what a reasonable and informed third party would conclude as to auditor's independence. If there are any threats to independence, the Committee should consider whether all threats are sufficiently mitigated. Using different teams within the same audit firm to perform non-audit services will not necessarily mitigate the threats.

Services Permitted to be Performed

The Committee must pre-approve the general nature of all audit and related services that are to be provided by the external auditor.

Aside from core audit services (which includes statutory, regulatory and stock exchange audit requirements), it is appropriate for Auckland Airport's external auditors to provide the following services, with prior approval from the Committee:

- (a) accounting policy advice (including opinions on compliance with New Zealand Generally Accepted Accounting Practice);
- (b) listing advice;
- (c) due diligence services (excluding acquisitions and divestments);
- (d) accounting/technical training; and
- (e) tax advice to the Corporate Taxpayer's Group through whom Auckland Airport, as a member of the Corporate Taxpayer's Group, indirectly receives taxation advice.

Services Not Permitted

It is not considered appropriate for Auckland Airport's external auditors to provide:

- (a) bookkeeping/other services related to accounting records or financial statements;
- (b) the design of financial information systems;
- (c) appraisal/valuation services/opinions as to fairness;
- (d) outsourcing of internal audit services;
- (e) structured finance advice;
- (f) legal services (these are services that should only be provided by a person who is qualified in law);
- (g) taxation planning and strategy; (if provided directly to Auckland Airport);
- (h) taxation compliance services (if provided directly to Auckland Airport);

- (i) management functions;
- (j) broker/dealer/investment adviser/investment banking services;
- (k) services of an expert as an advocate;
- (l) actuarial services;
- (m) staff on secondment;
- (n) assistance in the recruitment of senior Management; and
- (o) taxation services to employees of Auckland Airport in their personal capacity, who act in a financial reporting oversight role (the CEO, CFO, Financial Controller or any member of Auckland Airport's Management who act in a financial oversight role).

Billing Arrangements

The billing arrangements for services provided by Auckland Airport's external auditors should not include any contingent fees. Fees for approved non-audit services should not exceed the fees for core audit services in any financial year.

Other Procedural Requirements

Regardless of Auckland Airport's policies, it is expected that Auckland Airport's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issued by the Financial Markets Authority, Chartered Accountants Australia and New Zealand and all other relevant overseas accounting bodies).

The nature of services provided by Auckland Airport's external auditors and the level of fees incurred should be reported to the Committee in detail on a semi-annual basis to enable the Committee to perform its oversight role.

Development of local and overseas practice with regard to related assurance services shall be monitored on an ongoing basis to ensure that Auckland Airport's policies remain compliant with best practice.

External Auditor Rotation

The continued appointment of Auckland Airport's external auditors is to be confirmed annually by the Committee. A policy of regular rotation of audit firm is not required.

Rotation of the Key Audit Partner (as defined in the NZX Listing Rules) will be required every five years under the NZX Listing Rules and five years must expire between the rotation of a Key Audit Partner and that partner's next engagement by Auckland Airport.

Hiring of Staff from the Audit Firm

The hiring by Auckland Airport of any former Key Audit Partner or audit manager must first be approved by the Chair of the Committee.

Non-interference

The Committee shall ensure that no unreasonable restrictions are placed on Auckland Airport's

external auditors by the Board or Auckland Airport's Management. To enable the Committee to monitor this requirement the external auditors will report to the Committee 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.

The Committee shall have a formal and transparent procedure for sustaining communication with the external auditors.

References

NZX Main Board Listing Rules
Audit and Financial Risk Committee Charter

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