

# Audit and Financial Risk Committee Charter

---

## Auckland International Airport Limited (“Auckland Airport”)

### Audit and Financial Risk Committee (“Committee”)

#### 1. Objectives

The objectives of the Committee are:

- (a) generally, to assist the Board in performing its responsibilities, with particular reference to financial risk management, financial reporting and audit functions;
- (b) specifically, to review Auckland Airport's:
  - (i) processes for identifying and managing financial risk; and
  - (ii) financial reporting processes, system of internal control, and the internal and external audit process.

#### 2. Structure and Composition

The Committee shall be comprised solely of Directors, have a minimum of three Directors, with a quorum of two, all of whom shall be non-executive Directors. Committee members will be appointed by the Board and will hold office until changed by Board resolution. The majority of the members shall be independent. The Chair of the Committee shall be an Independent Director and shall not be the Chair of the Board. Committee members are expected to have the capacity to devote the required time and attention to prepare thoroughly for, and attend Committee meetings.

At least one member shall have an *accounting or financial background*, and all other members should be financially literate (that is, be able to read and understand financial statements), given the specialised functions of the Committee. The Committee will be structured to ensure that, as a collective group, it has the skills, experience and knowledge to fulfill its functions.

For the purposes of this Charter, and as required pursuant to the NZX Main Board Listing Rules, a member of the Committee shall be deemed to have an adequate “accounting or financial background” if he or she is a qualified finance professional with experience in finance and accounting matters and:

- (i) is a member of the New Zealand Institute of Chartered Accountants or has held a Chief Financial Officer position within a NZX listed entity for a period of greater than 24 months; or
- (ii) has successfully completed a course approved by NZX for audit committee membership; or
- (iii) has the experience and/or skills deemed satisfactory by the Board.

In addition, some members should have an understanding of the industry in which Auckland Airport operates.

Management will not be represented on the Committee and should only attend Committee meetings at the invitation of the Committee. It would be usual for the Company Secretary or the Chief Financial Officer to be invited to act as Secretary to the Committee, and the Chief Executive and/or the Company Secretary and/or the Chief Financial Officer to be invited to attend meetings, in each case where the Committee thinks it is appropriate.

The Committee will meet with the external auditor and internal auditor of Auckland Airport at least once a year, and for at least part of that meeting, no executive Directors or other employees of Auckland Airport shall be present.

The internal auditor and external auditor will be invited to attend those parts of any other meetings of the Committee that relate to its responsibilities, where the Committee considers it appropriate.

### **3. Access and Authority**

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

- (a) seek any information it requires directly from any employees of Auckland Airport, or any external persons;
- (b) obtain external legal or other professional advice if it considers this is necessary; and
- (c) require the attendance of employees of Auckland Airport at meetings as appropriate.

The Committee shall have direct communication with, and unrestricted access to, the internal and external auditors or accountants. Each of the internal and external auditors shall meet with the Committee at least twice annually without Management present. In addition, the Chair of the Committee shall be in regular communication with each of the internal and external auditors.

Committee members will be given the opportunity to attend technical or professional development courses to assist them in keeping up to date with legislative, accounting and other relevant issues.

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

- (a) the Committee members do not know, or have reason to believe, that such reliance is unwarranted;
- (b) the 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
- (c) the 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 Auckland Airport 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 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 under the terms of this Charter (subject to the same provisos as set out above).

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 fulfill its responsibilities under this Charter.

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.

#### **4. Responsibilities of the Committee**

The responsibilities of the Committee will include:

- (a) Financial reporting:
  - (i) Considering, and recommending for Board approval, all major accounting policy issues, including any proposed changes to Auckland Airport's accounting policies and practices which should be submitted to the Committee by Management for consideration.
  - (ii) Considering, and recommending to the Board, whether any changes to Auckland Airport's accounting policies and practices are required as a result in changes to any generally accepted accounting principles or statutory requirements.
  - (iii) Considering, and recommending to the Board, adoption of both the interim (half-yearly) and final (year-end) financial statements (including the notes thereto) and all other financial statements prepared by Auckland Airport (including under the Commerce Act (Specified Airport Services Information Disclosure) Determination 2010). In reviewing any financial statements of Auckland Airport, the Committee shall consider the underlying quality, not just acceptability, of the external financial reporting.
  - (iv) Forming a view, and making a recommendation to the Board, of the truth and fairness of annual and interim financial statements prepared by Auckland

Airport, and obtaining explanations from Management and external (and any internal) auditors on whether:

- actual financial results varied significantly from budgeted or projected results;
  - any significant or unusual events or transactions, contingent liabilities or claims against Auckland Airport are adequately disclosed;
  - Auckland Airport's financial and operating controls are functioning effectively; and
  - all annual and interim financial statements and announcements contain adequate and appropriate disclosures which comply with applicable law and the NZX Main Board Listing Rules.
- (v) Reviewing any significant financial reporting issues arising from time to time and any judgements made in connection with the preparation of Auckland Airport's interim and final financial statements.
- (vi) Forming a view, and making a recommendation to the Board, on the propriety of any related party transactions.
- (vii) Requiring from the Chief Executive and Chief Financial Officer confirmation in writing that:
- Auckland Airport's financial statements present a true and fair view, in all material respects, of Auckland Airport's financial condition and operational results and are in accordance with relevant accounting standards;
  - the statement given in the preceding paragraph is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
  - Auckland Airport's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
- (viii) Considering, and recommending for Board approval, the interim and final Directors' report to shareholders.
- (ix) Considering, and recommending for Board approval, releases relating to the interim and annual financial statements and all other financial statements prepared by Auckland Airport which are required to be made to the NZX and ASX.
- (x) Forming a view, and making a recommendation to the Board, of the adequacy and accuracy of Auckland Airport's reporting of financial risk management objectives and policies.
- (b) External audit:
- (i) Liaising with the external auditor, which will include:

- *Audit Planning:* The Committee shall be the point-of-contact as representative of the Board for the external auditor and should meet with the external auditor at the commencement of the planning phase of each audit so that areas of mutual interest and concern can be discussed. One aspect for specific consideration would be the levels of materiality to be adopted by the auditor in respect of Auckland Airport. The Committee shall also review the external audit plan and any changes to that plan from time to time.
- *Level of Audit Fee:* The proposed level of annual audit fees should be discussed and the Committee shall recommend the level of audit fees to the Board.
- *Areas of Accounting Difficulty:* Should areas of major difficulty or controversy arise during the course of the audit, then the Committee will be available to meet with the auditors and work towards an acceptable resolution.
- *Audit Opinion:* At the time the Committee considers final financial statements bearing an audit opinion, it should consider the form and content of the opinion and confirm with the auditor that Management has placed no restrictions on their audit.
- *Audit Management Letter:* At the time financial statements bearing an audit opinion are considered, the Committee should receive and consider a report from the auditors on their audit, including the Audit Management Letter and any responses thereto from Management. Any significant issues raised by the auditors should be discussed with them.
- *Audit Appointment:* The Committee will also:
  - oversee the independence of the external auditor (including monitoring and approving all services other than services which the external auditor is required to provide by law, provided by the external auditor to Auckland Airport (such as consulting services)), such independence to be confirmed to the Board in writing;
  - review, and recommend to the Board, the terms of engagement of the external auditor;
  - review the performance of the external auditor;
  - ensure that the external auditor attends annual meetings and is available to answer questions from investors relevant to their audit;
  - make recommendations to the Board regarding the appointment and removal of the external auditor; and
  - ensure that the external auditor or lead audit partner is changed at least every five years.

(c) Internal audit:

- (i) Liaising with the internal auditor, which will include:

- *Audit Planning:* The Committee shall be the point-of-contact as representative of the Board for the internal auditor, shall have unrestricted access to the internal auditor and should meet with the internal auditor at the commencement of the planning phase of each audit so that areas of mutual interest and concern can be discussed. One aspect for specific consideration would be the levels of materiality to be adopted by the internal auditor in respect of Auckland Airport.
- *Level of Internal Audit Expense:* The proposed level of expenses incurred in the conduct of the internal audit function should be discussed, and the Committee shall recommend an appropriate level to the Board.
- *Areas of Accounting Difficulty:* Should areas of major difficulty or controversy arise during the course of internal audit work, then the Committee will be available to meet with the internal auditor and work towards an acceptable resolution.
- *Reporting:* At the stages set out in the work-plan approved by the Committee for the conduct of the internal audit function, the internal auditor shall report to the Committee. The Committee shall consider the report and confirm with the internal auditor that Management has placed no restrictions on its audit.
- *Audit Appointment:* The Committee will also:
  - oversee the independence of the internal auditor (including reviewing the range of services provided by the internal auditor, if any, in the context of all consulting services bought by Auckland Airport);
  - review the performance of the internal auditor; and
  - monitor and regularly review the internal auditing practices of Auckland Airport; and
  - make recommendations to the Board regarding the conduct of the internal audit function.

(d) Treasury Role:

- (i) Reviewing annually Auckland Airport's treasury policies, practices and risk profile and, when appropriate, recommending to the Board any material changes to existing finance/funding arrangements (for example, changes to promissory note facilities, new bond issues, and bank arrangements), or new finance/funding arrangements which the Committee considers would be appropriate.

(e) Complaints and whistleblowing:

- (i) Overseeing the process for and receipt, retention and treatment of information received from an internal whistleblower.

- (ii) Ensuring there are processes in place for the confidential and anonymous receipt, retention and treatment of all complaints, including concerns raised by employees about possible improprieties, relating to any matter which is relevant to the Committee's responsibilities and monitoring those processes.
  - (iii) Ensuring there are processes in place for investigating all complaints, whether from Auckland Airport's internal or external auditors or from an internal whistleblower, relating to any matter which is relevant to the Committee's responsibilities, and monitoring those processes.
- (f) General:
- (i) Ensuring that processes are in place and monitoring those processes so that the Board is properly and regularly informed and updated on corporate financial matters.
  - (ii) Recommending to the Board dividends or other distributions to be made to Auckland Airport's shareholders, and the amount of those dividends or distributions.
  - (iii) Reviewing the findings of any examinations relating to Auckland Airport's financial matters by any regulatory or Government agency.

## **5. Meetings**

The Committee should meet formally at least three times per year for structured meetings to monitor and review the external and internal auditing practices of Auckland Airport, and at other appropriate times or if requested by the auditor. The proceedings of all meetings should be minuted.

The Committee, where the Committee thinks it is appropriate in its discretion, may invite any person to attend meetings of the Committee, and may request any such invitee to retire from a meeting of the Committee at any time.

## **6. Accountability and Reporting**

The Committee is accountable to the Board. In this regard, the Committee shall:

- (a) regularly report to the Board on all matters relevant to the Committee's responsibilities and make appropriate recommendations;
- (b) ensure that the Board is made aware of any matters which may significantly impact on the financial condition or affairs of Auckland Airport and its business; and
- (c) provide copies of minutes of all Committee meetings to each member of the Board at the next scheduled meeting of the Board.

The Committee shall review and assess the adequacy of this Charter every two years, discuss any required or recommended changes with the Board, and ensure any revisions to the Charter are approved by the Board.

### **Next Review Date**

August 2019