

## **Audit and Risk Committee – Charter**

**Auckland International Airport Limited (“Company”)**

**Audit and 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 matters;
- (b) specifically, to review:
  - (i) the financial reporting processes, the system of internal control and the internal and external audit process; and
  - (ii) the Company’s process for identifying and managing risk, and for monitoring compliance with statutes and its own policies.

### **2. Structure and Composition**

The Committee shall comprise a minimum of three Directors, with a quorum of two, all of whom shall be non-executive Directors. The majority of the members shall be independent. The Chairman of the Committee shall be an Independent Director and shall not be the Chairman of the Board.

At least one member shall have an accounting or financial background and other members should have a working knowledge of finance and accounting practices, given the specialised function of the Committee.

Members will be appointed by the Board and will hold office until changed by Board resolution.

Management will not be represented on the Committee, but it would be usual for the Corporate Secretary or the Chief Financial Officer to be invited to act as Secretary to the Committee, and the Chief Executive and/or the Corporate 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 can request the Chief Executive and any Manager invited to a meeting of the Committee to retire from such meeting at any time.

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

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

### **3. Authority**

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

- (a) liaise with the Chief Executive in respect of any ancillary information it requires from any employee of the Company and external parties;
- (b) obtain external legal or other professional advice; and
- (c) require the attendance of Company officers at meetings as appropriate.

#### **4. Functions of the Committee**

The functions 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 the Company'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 the Company'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 the Company (including the Disclosure Financial Statements required under the Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.
  - (iv) Assessing the truth and fairness of annual and interim financial statements prepared by the Company, 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 are adequately disclosed.
    - The Company's financial and operating controls are functioning effectively.
    - All annual and interim financial statements and announcements contain adequate and appropriate disclosures.
  - (v) Requiring from the Chief Executive and Chief Financial Officer confirmation in writing that:
    - the Company's financial statements present a true and fair view, in all material respect, of the Company'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
    - the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.
  - (vi) Considering, and recommending for Board approval, the interim and final Directors' report to shareholders.
  - (vii) Considering, and recommending for Board approval, releases relating to financial matters which are required to be made to the New Zealand Exchange Limited.

## (b) External audit:

## (i) Liaison 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 the 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 the Company.
- *Level of Audit Fee:* The proposed level of audit fee 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. Any significant issues raised by the auditors should be discussed with them.
- *Audit Appointment:* The Committee will also:
  - consider the independence of the external auditor (including reviewing the range of services provided by the auditors in the context of all consulting services bought by the Company);
  - review the performance of the external auditor; and
  - make recommendations to the Board regarding the appointment of the external auditor and the rotation of the partner of the external auditor responsible for the audit.

## (c) Internal audit:

## (i) Liaison 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 and should meet with the internal auditor at the commencement of the planning phase of the 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 the Company.
- *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 and the Committee shall consider

the report and confirm with the auditor that Management has placed no restrictions on its audit.

- *Audit Appointment.* The Committee will also:
  - consider 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 the Company);
  - review the performance of the internal auditor; and
  - make recommendations to the Board regarding the conduct of the internal audit function.
- (d) Treasury Role:
  - (i) Reviewing annually the Company's treasury policies and practices and, when appropriate, recommending to the Board any material changes to finance/funding arrangements, eg changes to Promissory Note facilities, new Bond issues, and bank arrangements.
- (e) Risk Management:
  - (i) Reviewing the Company's system for monitoring compliance with both statutes and the Company's policies, and also obtaining regular updates from Management and the Company's Legal Counsel regarding such compliance.
  - (ii) Evaluating the Company's procedures for the management of its risk.
  - (iii) Reviewing the effectiveness of the Company's risk management activities.
  - (iv) Ensuring that the Company has prepared plans that would enable it to maintain business (operational and financial) continuity in the event of adverse circumstances.
- (f) General:
  - (i) Undertaking a regular overview and assessment of the appropriateness of the functions of internal control and internal audit within the Company.
  - (ii) Reviewing the Company's policies of insurance in place from time to time. No changes to any insurance policy shall occur without the approval of the Board, as recommended by the Committee.
  - (iii) Recommending to the Board dividends or other distributions to be made to the Company's shareholders, and the amount of those dividends or distributions
  - (iv) Reviewing the findings of any examinations relating to the Company'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, and at other appropriate times or if requested by the auditor. The proceedings of all meetings should be minuted:

- (a) Meeting No 1: To be held six or seven months into the new calendar year. Business to include:
  - (i) Review and approve proposed annual audit plan and scope as prepared and presented by the Company's auditor.
  - (ii) Review and recommend to the Board the approval of the fees to be charged by the Company's auditor.

- (iii) Review of the Company's risk management procedures.
- (b) Meeting No 2: Following preparation of the half-yearly financial statements. Business to include:
  - (i) Approve any proposed changes in accounting policies or practices and review any major accounting problems.
  - (ii) Review the half-yearly financial statements, including any proposed dividends.
  - (iii) Review the draft Directors' Report and review of operations in respect of the half-year.
  - (iv) Recommend to the Board approval of the financial statements and announcements to the Stock Exchanges.
- (c) Meeting No 3: Following preparation of the annual financial statements and reports. Business to include:
  - (i) Review accounting policies and practices and approve any proposed changes.
  - (ii) Review draft annual financial statements including any proposed dividends.
  - (iii) Review the draft Directors' Report and review of operations.
  - (iv) Discuss with the Company's auditor:
    - Any restrictions placed on their audit.
    - Any areas of significant concerns.
    - Their proposed form of audit report.
    - Compliance with all statutory reporting requirements.
    - The Management Review Letter.
    - The appropriate application of the Company's accounting practices.
  - (v) Receive and consider the written confirmation from the Chief Executive and Chief Financial Officer referred to in paragraph 4(a)(v) above.
  - (vi) Recommend financial statements, reports and announcements to the Stock Exchanges to the Board for approval.

## 6. **Accountability and Reporting**

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

- (a) regularly update the Board on the Committee activities 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 the Company and its business; and
- (c) provide copies of minutes of all Committee meetings to all members of the Board at the next scheduled meeting of the Board.