

Audit and Risk Management Committee – External Audit Independence Policy

1. Objective

The objective of this policy is to ensure that audit independence is maintained to protect Auckland Airport's reputation for reliable and credible financial reporting.

2. Approval of Auditor

The Committee 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;
- has not, within two 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 Chief Executive, Chief Financial Officer, Financial Controller or any member of Auckland Airport's Management who act in a financial oversight role; and
- 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.

3. 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 auditors are not perceived as conflicting with the independent role of the auditor.

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 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;
- 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
- the separation between internal and external audit should be maintained.

3.1 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 auditor.

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

- accounting policy advice (including opinions on compliance with New Zealand Generally Accepted Accounting Practice);
- listing advice;
- taxation compliance services;
- due diligence services; and
- accounting/technical training.

3.2 Services Not Permitted

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

- bookkeeping/other services related to 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;
- management functions;
- broker/dealer/investment adviser/investment banking services;
- services of an expert as an advocate;
- actuarial services;
- staff on secondment; and
- assistance in the recruitment of senior management.

3.3 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.

3.4 Other Procedural Requirements

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.

4. 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 audit partners will be required every five years and two years must expire between the rotation of an audit partner and that partner's next engagement by Auckland Airport.

5. Hiring of Staff From the Audit Firm

The hiring by Auckland Airport of any former audit partner or audit manager must first be approved by the Chairman of the Committee.

6. 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.