



Channel

Infrastructure NZ



Auditor Independence Policy Statement

The Policy is reviewed at least on a biennial basis by the Audit and Finance Committee, or earlier if determined by the Committee, the Board or by management.

Any change to this Policy requires the approval of the Board

Policy Owner: Chief Financial Officer

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Contents

Contents	2
1. Purpose	3
2. Who this policy applies to	3
3. Independence of the auditor	3
4. Non-audit services	4
5. Permitted non-audit services	5
6. Prohibited non-audit services	5

1. Purpose

The purpose of the policy is to provide guidance on the provision of external audit services to ensure the independence of the external auditor, both in fact and appearance, such that Channel Infrastructure NZ Limited's external financial reporting is viewed as being highly reliable and credible.

2. Who this policy applies to

This policy applies to the Channel Infrastructure NZ Limited Group, including its subsidiaries ("Channel Group").

3. Independence of the auditor

- 3.1 Engagement and termination of the external auditor (audit firm) for the provision of external audit services is approved by the Board on the recommendation of the Audit and Finance Committee.
- 3.2 Candidates for an external auditor must be appropriately qualified and independent, and comply with best practice requirements imposed by NZX and the Financial Markets Authority and other legal requirements in relation to rotation of tenure.
- 3.3 Channel Group's auditor is required to abide by the independence regulations set out in the Code of Ethics on Independence issued by the International Federation of Accountants (IFAC), and to ensure that its partners and staff members who are members of engagement teams providing services to Channel Group hold no interests in Channel Infrastructure NZ Limited or its subsidiaries (including equity and/or debt instruments).
- 3.4 Channel Group's auditor is required to report in writing to the Audit and Finance Committee, at least on an annual basis, to confirm its independence and, in the case where any non-audit services were provided to the Channel Group in the current financial year, to confirm that appropriate safeguards were applied to eliminate or reduce the threats to independence to an acceptable level.
- 3.5 The cap on fees for non-audit services will be a maximum of 25% of the average of the fees paid in the last three consecutive financial years for the statutory audit. For the purposes of determining the cap on non-audit fees, sustainability or greenhouse gas emissions audits or reviews are excluded from the calculation.
- 3.6 The level of fees incurred (or to be incurred) for non-audit services should be reported to the Audit and Finance Committee on an annual basis to enable the Committee to perform its oversight role in respect of the fee cap.
- 3.7 The lead audit engagement partner, who has ultimate responsibility for the audit engagement, is required to rotate every five years with a minimum cooling-off period of five years. Other key audit partners, considered to be making key decisions or judgments on matters significant to the audit, are required to rotate every seven years with a minimum cooling-off period of two years.

3.8 The rotation of audit firm will be tendered and formally assessed by the Audit and Finance Committee at least every 10 years with the incumbent auditor eligible to participate in the tender process. Independence and Audit Quality will be the principle criteria by which the appointment will be determined, taking into account the:

- Experience of the audit firm in relation to Channel Group's business and the specific expertise of the audit team members;
- Availability of relevant specialists such as technical accounting and IT and how they will be used in the audit;
- Time expected to be allocated to the audit and time expected to be spent onsite by senior staff and engagement leaders;
- Results of the firm's audit quality reviews by external regulators;
- Staff attrition rates within the audit firm and mandatory training of audit staff.

The Audit and Finance Committee will negotiate the fee at the final stage of the tender process, and agree the fees with the auditor for each of the subsequent financial years.

3.9 The lead audit engagement partner will not be eligible for employment by, or a directorship of, Channel Infrastructure NZ Limited or any of its subsidiaries, within three years of undertaking the role of external auditor. The equivalent stand-down period for any a) other member of the audit team, and b) other executives or partners of the audit firm (not involved in the audit), will be one year and six months, respectively.

4. Non-audit services

4.1 Channel Group may engage with the external auditor (or an entity associated with the external auditor) from time to time to provide non-audit services, where the knowledge and experience held by the external auditor means that appointment of a different service provider would not be in the interests of cost and time efficiency.

4.2 This policy is designed to ensure that by undertaking non-audit services, Channel Group's auditor will not have a mutual or conflicting interest, act as an advocate for Channel Group, or have their independence impaired or seen to be impaired. The general principles to be applied in assessing non-audit services are:

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

4.3 The provision of any non-audit services are to be pre-approved by the Audit and Finance Committee prior to engaging the external auditor. The following non-audit services are approved by the Audit and Finance Committee, subject to the fee cap noted in clause 3.5 of this policy:

- attendance at the Annual Shareholders' Meeting (ASM), and
- assistance in scrutineering the ASM voting process.

5. Permitted non-audit services

5.1 Permitted non-audit services include, but are not limited to, the following:

- attendance at the Annual Shareholders' Meeting (ASM),
- assistance in scrutineering the ASM voting process,
- greenhouse gas inventory assurance,
- reporting to Supervisor for Bond Holders,
- agreed upon procedures,
- review of interim financial statements,
- accounting or technical training, and
- any other services approved by the Audit and Finance Committee.

6. Prohibited non-audit services

6.1 Prohibited non-audit services include, but are not limited to, the following:

- provision of taxation services, including taxation planning and strategy,
- provision of advisory services or due diligence services for significant acquisitions and divestments,
- provision of outsourced internal audit services,
- provision of design or implementation services, including quality assurance services, for significant IT systems,
- provision of valuation, including actuarial services, where such valuation would have an effect on Channel Group's financial statements,
- provision of corporate secretarial, bookkeeping or payroll services,
- provision of legal advocacy services, and
- provision of staffing of temporary roles.