



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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1. Purpose

- 1.1. The purpose of this 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 (**Channel Infrastructure's**) external financial reporting is viewed as being highly reliable and credible.
- 1.2. At all times, senior management, the Board and the auditor shall ensure compliance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board as applicable to audits of financial statements of public interest entities (**PES-1**). This Policy amplifies part of those requirements and sets out some guidance and further requirements in excess of PES-1. In the event of any conflict between this Policy and PES-1, PES-1 shall take precedence.

2. Who this policy applies to

- 2.1. This Policy applies to Channel Infrastructure and 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, comply with best practice requirements imposed by PES-1, NZX and the Financial Markets Authority and other legal requirements in relation to rotation of tenure, and not be subject to any specific conditions on their FMC auditor licence that may prohibit or restrict their appointment.
- 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), PES-1, and to ensure that its partners and staff members who are members of engagement teams providing assurance services to Channel Group hold no interests in the Channel Group (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 if they maintained their independence throughout the audit 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 and the engagement quality review partner who have ultimate responsibility for the audit engagement, are 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 judgements on matters significant to the audit, are required to rotate every 12 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 (taking into account the relationship between the audit firm and the Channel Group, and therefore the audit firm's ability to challenge the Channel Group's staff by reason of tenure). Independence and Audit Quality will be the principal criteria by which the appointment will be determined, taking into account the:
- (a) experience of the audit firm in relation to Channel Group's business and the specific expertise of the audit team members, including the engagement quality review partner;
 - (b) availability of relevant specialists such as technical accounting and IT and how they will be used in the audit;
 - (c) auditor's use of technology, including artificial intelligence, while maintaining the confidentiality of information obtained, and how this use of technology enhances audit quality;
 - (d) firm's use of any shared-service centres or centres of excellence and how these services contribute to audit quality;
 - (e) time expected to be allocated to the audit and time expected to be spent onsite by senior staff and engagement leaders;
 - (f) results of the firm's audit quality reviews by external regulators and the auditor's self-evaluation of quality management systems, and whether there are any pending regulatory findings and the steps being taken to address them;
 - (g) audit firm's management of the oversight of other auditors in a group audit (if applicable); and
 - (h) staff attrition rates within the audit firm and mandatory training of audit staff.
- 3.9. 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.
- 3.10. The lead audit engagement partner will not be eligible for employment by, or a directorship of, the Channel Group, 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. The Channel Group will have regard to this requirement in relevant employment decisions.

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:
- (a) 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;
 - (b) the external auditor should not perform any function of management, or be responsible for making management decisions;
 - (c) the external auditor should not be responsible for the design or implementation of financial information systems; and
 - (d) the separation between internal and external audit should be maintained.
- 4.3. The provision of any non-audit services is 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:
- (a) attendance at the Annual Shareholders' Meeting (**ASM**); and
 - (b) 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:
- (a) attendance at the ASM;
 - (b) assistance in scrutineering the ASM voting process;
 - (c) greenhouse gas inventory assurance;
 - (d) reporting to Supervisor for Bond Holders;
 - (e) agreed upon procedures;
 - (f) review of interim financial statements;
 - (g) accounting or technical training; and
 - (h) 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:
- (a) provision of taxation services, including taxation planning and strategy;

- (b) provision of advisory services or due diligence services for significant acquisitions and divestments;
- (c) provision of outsourced internal audit services;
- (d) provision of design or implementation services, including quality assurance services, for significant IT systems;
- (e) provision of valuation, including actuarial services, where such valuation would have an effect on Channel Group's financial statements;
- (f) provision of corporate secretarial, bookkeeping or payroll services;
- (g) provision of legal advocacy services; and
- (h) provision of staffing of temporary roles.