

1 Board Oversight

1.1 The board is responsible for the overall corporate governance of Sydney Airport and its controlled entities, including:

- Endorsement of Sydney Airport's risk management framework including key policies and procedures and approval of any changes to the framework or any key risk policies and procedures
- Monitoring compliance with the endorsed risk management framework
- Delegating authority to management, where appropriate
- Approving asset purchases and outsourcing arrangements
- Conducting due diligence for the appointment and ongoing monitoring of outsourced arrangements

1.2 As part of the monitoring process, the board is provided with the following information at scheduled board meetings:

- Any proposed changes to the risk management framework, key policies or reporting arrangements for approval
- Reports on exposures, non-compliance with key policies and general effectiveness of risk management systems, when necessary
- Results of independent reviews of the control environment
- Other management information

2 Board Audit & Risk Committee

The Audit & Risk Committee assists the board to monitor Sydney Airport's risk management framework by reviewing any matters of significance affecting financial reporting and internal controls of Sydney Airport.

3 Compliance Committee

As required by the managed investment scheme provisions of the Corporations Act, Sydney Airport Holdings Limited has formed a compliance committee to assist the board in overseeing the risk management framework of SAT1 and SAT2 by monitoring compliance with the compliance plans and ensuring that there is an underlying compliance framework.

4 Senior Management Oversight

Senior management assist the board in monitoring:

- Key aspects of the risk management framework including Sydney Airport's policies
- Delegation of approvals required under the risk management framework
- Risk management reporting including operational issues, operational losses
- Operational control weaknesses and breakdowns including fraud
- Due diligence conducted for appointment and ongoing monitoring of outsourced arrangements
- Results of risk self assessment reviews and workshops

5 Operations Management

Sydney Airport management ensure activities are conducted within the parameters set by the operational risk matrix and policies and procedures and in accordance with the boards' directions.

This is achieved by:

- Documented policies and procedures and for SAT1 and SAT2, the compliance plans
- Staff training in respect of Sydney Airport's policies and procedures
- Quarterly review of compliance with compliance plans and underlying policies and procedures
- Appropriate reporting of operational issues to senior management and the board

6 Risk

Risk is an inherent part of Sydney Airport's business. Management of that risk is therefore critical to Sydney Airport's continuing profitability and financial health.

The main risks faced by Sydney Airport are:

- Financial Risk (eg. liquidity, interest rate and credit)
- Regulatory risk
- Legal and documentary risk
- Compliance risk
- Operational risk (eg. processes, IT, outsourcing)
- OHS risk
- Investment performance risk
- Environmental and social responsibilities
- Strategic risk
- Reputation risk

Risk Management Policy

7 Risk Identification, Analysis, Acceptance and Mitigation

Sydney Airport uses a nine step risk management approach to protect its business from unacceptable risk. This approach is:

1. Identify risk
2. Quantify and qualify risks
3. Develop risk strategy
4. Implementation of policy and procedures to manage risks
5. Monitor compliance
6. Report exceptions and breaches
7. Remedy breaches
8. Maintain and review systems and records to ensure ongoing integrity of the process
9. Annual review of entire process.

8 Reporting

8.1 To assist the Audit & Risk Committee in monitoring and reviewing the effectiveness of the operational risk management framework and compliance with key risk management policies, a semi-annual risk management update is provided to the Committee.

8.2 Breaches and operational risk incidents arising within the operations of Sydney Airport are reported to the CEO on a monthly basis. Significant breaches or incidents are reported to the Sydney Airport board via regular board reporting and/or immediate notification to the board as necessary.

9 Regulatory Breach Reporting

9.1 As the holder of an Australian financial service licence, Sydney Airport Holdings Limited is required to identify breaches or likely breaches, give proper consideration to whether the breach is significant and, where required, notify ASIC within five business days of becoming aware of the breach or likely breach.

9.2 Sydney Airport must notify ASX immediately in writing if it becomes aware that it has breached any of the ASX Listing Rules and that breach is significant.

10 Interpretation

All references in this charter to “board” are a reference to the board of directors of Sydney Airport Airport Holdings Limited or Southern Cross Airports Corporation Holdings Limited and their controlled entities as applicable.

11 Related documents

- a) Audit & Risk Committee Charter
- b) SAT1 & SAT2 Compliance Plans
- c) Board Charter

12 History

- a) 11 June 2003 – adopted
- b) 1 March 2010 – modified
- c) 20 December 2011 – modified