

# External Auditors Independence Policy

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## AUTHORITY

Oversight of Argosy's external audit arrangements is the responsibility of Argosy's Audit Committee. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. Accordingly this policy has been recommended by the Audit Committee and adopted by the Board to ensure external audit independence. This policy will be reviewed by the Audit Committee at least biennially.

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## OBJECTIVE

The objective of this policy is to ensure that external audit independence is maintained, both in fact and appearance, such that Argosy's external financial reporting is viewed as being highly reliable and credible.

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## COVERAGE

This policy covers the following areas:

- approval of external auditors;
- provision of non-audit services by Argosy's external auditors;
- external auditors' rotation;
- hiring of staff from the external audit firm; and
- external audit services provided by firms other than the external auditors.

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## APPROVAL OF EXTERNAL AUDITORS

The Audit Committee shall only approve a firm to be external auditors 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 external auditors' engagement;
- has not, within two years prior to the commencement of the external audit, had as a member of its audit engagement team Argosy's Chief Executive Officer or Chief Financial Officer or any member of Argosy'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 Argosy.

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## PROVISION OF NON-AUDIT SERVICES BY ARGOSY'S EXTERNAL AUDITORS

The guidelines that follow are designed to ensure that non-audit services provided by Argosy's external auditors are not perceived as conflicting with the independent role of the external auditors.

The general principles to be applied in assessing non-audit services are as follows:

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

## Services permitted to be performed

The Audit Committee must pre-approve all statutory and regulatory audit services and any other services provided by the external auditors.

Aside from core audit services relating to the statutory and regulatory audits, it is appropriate for Argosy's external auditors to provide the following services, with prior approval from the Audit Committee:

- scrutineering at shareholder meetings;
- other assurance services; and
- complementary CPD training.

## Services not permitted

It is not considered appropriate for Argosy's external auditors to provide:

- book keeping/other services related to accounting records or financial statements;
- the design of financial information systems;
- appraisal / valuation services / opinions as to fairness;
- internal audit services;
- structured finance advice;

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- legal services (these are services that could only be provided by a person who is qualified in law);
- tax planning, strategy and compliance services;
- management functions;
- broker / dealer / investment adviser / investment banking services;
- services of an expert as an advocate;
- actuarial services;
- provision of temporary staff for appropriate assignments;
- assistance in the recruitment of senior management; and
- tax services to employees of Argosy who act in a financial reporting oversight role (the Chief Executive Officer, Chief Financial Officer and Financial Controller are deemed to perform a financial oversight role);
- listing advice;
- accounting policy advice; or
- accounting and technical training (other than complementary CPD training).

These prohibitions apply to all offices of the firm of Argosy's external auditors, including overseas offices and affiliates.

## Billing arrangements

The billing arrangements for services provided by Argosy's external auditors should not include any contingent fees (e.g. where a success fee is paid depending upon whether a transaction proceeds or not).

## Other procedural requirements

Regardless of Argosy's policies, it is expected that Argosy's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issued by the Institute of Chartered Accountants of New Zealand and the Financial Markets Authority).

While this policy does not prescribe any particular ratio of "other" service fees to audit fees, this ratio should be monitored by the Audit Committee. Accordingly, the nature of services provided by Argosy's external auditors and the level of fees incurred should be reported to the Audit Committee in detail on a quarterly basis to enable the Committee to perform its oversight role.

Development of local and overseas practice with regard to non-audit services shall be monitored on an ongoing basis to ensure that Argosy's policies remain compliant with best practice.

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## EXTERNAL AUDITOR ROTATION

The continued appointment of Argosy's external auditors is to be confirmed annually by the Audit Committee. A policy of regular rotation of audit firm is not mandated.

Rotation of Argosy's client service partner, and the lead and concurring audit partners (where these are different), will be required every five years. Those partners will be subject to a five year cooling-off period following rotation.

Any other audit partners involved in providing services to Argosy will be required to rotate every seven years and will be subject to a two year cooling-off period.

It is expected that corresponding policies will be adopted by Argosy's external auditors.

Compliance with this external auditors rotation policy shall be reported to the Audit Committee annually.

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## HIRING OF STAFF FROM THE EXTERNAL AUDIT FIRMS

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

There are no other restrictions on the hiring of other staff from the audit firm.

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## EXTERNAL AUDIT SERVICES PROVIDED BY FIRMS OTHER THAN THE EXTERNAL AUDITORS

The Audit Committee must pre-approve the provision of audit and assurance services by firms other than the external auditors. Any firm providing such services must meet the requirements set out in the "Approval of External Auditors" section of this policy. Any waivers from this section must be agreed with the Chairman of the Audit Committee.