

**Coffey International Limited**

**External Auditor Independence Policy**

## Coffey International Limited

### External Auditor Independence Policy

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#### 1 Purpose

The purpose of this External Auditor Independence Policy is to define those areas the Audit Committee (“Committee”) should consider in relation to the provision of external audit services.

This policy should be read in conjunction with the Audit Committee Charter, which outlines the responsibilities of the Committee in regards to the provision of external audit services.

#### 2 Scope and Application

This External Auditor Independence Policy applies to all employees of the Coffey group including the Directors and Senior Managers.

**Directors** include the directors of Coffey and its subsidiary companies, and any Coffey nominees on the Board of any joint venture company in which Coffey or a subsidiary company has an interest.

**Senior Managers** include:

- a) the Managing Director;
- b) persons with direct reporting to the Managing Director (the **Management Team**);
- c) persons with direct reporting responsibilities to one of those persons;
- d) Principals or location managers of Coffey and its subsidiary companies; and
- e) any persons appointed by Coffey as representatives of the management committees of any joint venture company, operation or arrangement to which Coffey or a subsidiary is a party.

#### 3 External Auditor Selection and Appointment

The Board is responsible for appointing the external auditor, subject to shareholder approval at the Company’s Annual General Meeting. The Committee has been empowered by the Board to recommend to the Board the appointment, remuneration and removal of the external auditor.

In the event that a vacancy or change in the external auditor for Coffey occurs, the Committee will conduct a formal, selective tendering process.

Tenders will be evaluated in accordance with the disclosed criteria as appropriate at the time. However, tenders are not assessed solely on price but on a number of key criteria including:

- a) Quality and thoroughness of the audit approach and methodology;
- b) Independence of the external audit firm and specifically the audit engagement partner;
- c) Skills and knowledge of the proposed external audit team;
- d) Global resources;
- e) Understanding of the industry;
- f) Partner rotation and succession planning; and
- g) Value for money.

In making any recommendation, the Committee will consider involving certain senior executives to comment on tender responses received.

## 4 External Auditor Independence

The Committee will review the independence of the external auditor annually.

In evaluating independence, the Committee shall consider whether the external auditor is independent both in fact and in appearance.

The external auditor is precluded from providing any services that might threaten their independence or conflict with their assurance and compliance role. Specifically, any firm providing audit services to Coffey will need to satisfy the Committee that:

- a) no services will be provided that will result in a conflict of interest;
- b) neither the firm, a superannuation fund of the firm nor any partner of the firm holds any shares or options, either directly or indirectly, in Coffey or its controlled entities;
- c) no member of the current service team holds any shares or options, either directly or indirectly, in Coffey or its controlled entities;
- d) no funds have been received by the firm by way of a loan or other form of capital from Coffey or its controlled entities;
- e) any services provided by the firm additional to that of the audit function involving non-audit services traditionally performed by accounting firms, would not have a material bearing on the audit and would not involve the firm auditing their own work;
- f) the firm has an audit personnel rotation policy, including lead and signing partners, requiring rotation at least every five years;
- g) no partner or member of staff or spouse or close relative of an audit partner or member of the audit staff holds a position as a director or executive of Coffey or its controlled entities;
- h) there will be no situations where the auditor assumes the role of management or where the auditor is placed in the role of advocate for Coffey.

**Those audit and audit related services that are prohibited are set out in section 5 below.**

Half yearly reports on the provision of auditing and related services are provided to the Board through the Committee. The Committee reviews these reports and satisfies itself that any non-audit services do not compromise the external auditor independence.

## 5 Provision of Other Services

In order to ensure that the external auditors maintain their independence, there are strict controls in place in relation to non-audit work performed by the external auditors.

The external auditor can be engaged to perform certain audit or non-audit related services that are not, and are not perceived to be, in conflict with the role of the external auditor, subject to the approval process outlined below.

The Committee approves all non-audit services delivered by the external auditor where the fee is over A\$100,000 and certain other nominated services below that amount. The Managing Director or Chief Financial Officer must approve any non-audit services to be delivered by the external auditor with a fee below A\$100,000, in accordance with the Delegation of Authority Policy, and report such engagement to the Committee at the next meeting.

The external auditor should be appointed for other service engagements only when they have specific or unique knowledge or expertise that cannot be practically sourced from another provider, and do not have a conflict of interest due to a relationship with another client.

The external auditor **must not** be engaged to perform any of the prohibited audit and non-audit related services listed below:

### **Prohibited Services**

- a) Bookkeeping or other services related to the accounting records or financial statements of Coffey;
- b) Financial information systems design and implementation;
- c) Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- d) Actuarial services;
- e) Internal audit outsourcing services;
- f) Management functions or human resource services;
- g) Broker or dealer, investment adviser, or investment banking services;
- h) Legal services and expert services unrelated to the audit; and
- i) Any other service that the Board determines, by regulation, is impermissible.

If, in the view of the Committee, the level of fees being paid to the external auditor for audit or non-audit related service, either severally or in the aggregate, are of a magnitude that could impair, or be perceived to impair, auditor independence, the Committee may impose a restriction on the services being awarded to the external auditor.

## **6 External Auditor Independence Reporting**

The external audit firm will maintain a quality control system that provides reasonable assurance that its independence will not be impaired.

The external auditor shall semi annually provide a letter to the Company Secretary on their independence within the meaning of relevant legislation and professional standards.

## **7 Independence Statement by the Directors**

The Australian Corporations Law requires a statement by the Directors that they are satisfied that the non-audit services provided by the external auditors does not compromise auditor independence.

Factors that the Directors should consider in making this statement include:

- a) The level of fees paid for the provision of non-audit services, as a proportion of total fees paid to the external auditor;
- b) Whether the compensation of the individuals employed by the external auditor who are performing the audit of Coffey is tied to the provision of non-audit services and, if so, whether this impairs or appears to impair the external auditor's judgment or independence;
- c) Whether the individuals performing the audit would also be involved in providing the non-audit services; and
- d) Whether the audit fees are sufficient to adequately compensate the auditors or whether the audit fees are at a level that could increase the need for the auditor to perform non-audit services to make the external audit commercially viable.

In forming their view, the Directors should also have regard to the Independence Declaration required to be provided by the external auditor. That declaration is required to identify whether there have been any contraventions of auditor independence requirements.

## **8 External Auditor Performance Review**

The Committee shall review the performance of the external auditor on an annual basis.

In reviewing the performance of the external auditor, the Committee shall consider:

- a) the quality and rigour of the audit;
- b) the quality of service provided;
- c) the audit firm's internal quality control procedures;
- d) relationship with the internal auditor and the company; and
- e) the independence of the auditor.

Where the performance of the external auditor is assessed as being unsatisfactory, the Committee shall determine and recommend to the Board the course of action, which may include:

- a) discussion with the external audit firm to resolve performance issues;
- b) replacement of members within the external audit team; or
- c) commencement of a competitive tender process in order to select a new service provider.

## **9 External Auditor Reporting**

Each year as part of the external audit assignment the external auditors, after discussions with management will issue an external audit plan for review and discussion with the Committee. The audit plan should outline the control and substantive based procedures to be completed.

The plan should also include additional audit procedures, based on the external auditor's analysis and understanding of developments during recent months, which require additional emphasis during the audit.

The external audit plan will apply materiality to assist in determining when the external auditors would expect to involve the Committee, should it become necessary, in order to resolve an audit or accounting issue. It also affects the extent to which the external auditors perform detailed procedures on smaller account balances in the financial records.

All audit differences in excess of a set limit each year are to be brought to the attention of management for further consideration and action as appropriate.

On completion of the half year review and annual audit, the external auditors shall provide the Committee with an Audit Committee Report, Management Letter, a Review Opinion for the Half Year and an Audit Opinion for the full year.

The Management Report will confirm the audit findings and highlight any of these audit differences that have not been addressed by management and the potential impact on the accounts. The audit opinion will indicate the external auditor's conclusion as to the integrity of the financial statements.

## **10 Company Contacts**

If you have any questions in relation to this Policy, you should contact the Chief Financial Officer.

## **11 Review of this Policy**

This Policy is subject to an annual review by the Audit Committee and the Board.

## **12 Access to the Policy**

This Policy will be available for viewing by any employee of the Group on the Coffey Intranet and by any other person on Coffey's website.

### **13 Consequences of Breach**

Any employee who becomes aware of a violation of this Policy should immediately report the violation to the Company Secretary.

Breaches by employees of this Policy and the procedures may lead to disciplinary action, including dismissal in serious cases.