

## EXTERNAL AUDITOR INDEPENDENCE POLICY

### Policy Statement:

Except in pre-approved circumstances, the Company will only engage its external audit firm to undertake external audit and tax compliance services. Some non-audit services may be provided by the external auditor if:

- pre-approved by management, the Audit & Risk Committee or the Board; and
- there are logical reasons for the external auditor to carry out the work; and
- the ratio of non-audit fees to audit fees remains less than 25% in total for the financial year.

Board approval is required for the Committee to engage the external auditor in any other circumstances beyond the limits set out in Section 4 below.

### 1. Purpose

- (a) The objective of this policy is to ensure that external audit independence is maintained so that Metlifecare's ("the Company") external financial reporting is viewed as being highly reliable and credible.
- (b) The purpose of this policy is to provide direction on the professional services which may be provided by the external auditors and those which are not permitted.
- (c) Oversight of the Company's external audit arrangements is the responsibility of the Audit & Risk Committee. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. This policy on audit independence has been adopted by the Board of directors of the Company ("the Board") to meet this requirement.
- (d) This policy applies to all operations and subsidiaries of the Company.

## 2. Policy

- The principles of independence of this policy with respect to services provided by the external auditors are largely based on three basic principles, which if violated, would impair the external auditor's independence:
- an auditor cannot function in the role of management
- an auditor cannot audit his or her own work
- an auditor cannot serve in a formal advocacy role (as barrister or solicitor) for his or her client.
- Based on the corporate governance structure already established within the Company, consideration of the Chartered Accountants Australia New Zealand Code of Ethics guidelines and guidelines issued by NZX, ASX and the Financial Markets Authority, together with recognition of the requirements of Securities and Exchange Commission rules, an independence policy has been developed covering the following areas:
  - 2.1 Approved Auditor
  - 2.2 Provision of Services by External Auditors
  - 2.3 Auditor Rotation.

### 2.1 Approved Auditor

- (a) The Audit & Risk Committee shall only approve a firm to be an external auditor 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 auditor's engagement
  - has not, within two years prior to the commencement of the external audit, had as a member of its external audit engagement team, the Company's Chief Executive Officer ("CEO"), Chief Financial Officer ("CFO"), or any member of the Company's subsidiary management who act in a financial oversight role
  - does not directly compensate its audit partners for selling non-audit services.

- (b) The procedures for the selection and appointment of the Company's external auditor are based on the following framework:
- (i) the Company's external auditor is reappointed every year at the Annual Meeting of shareholders unless:
- the Company's external auditor ceases to be qualified for appointment; or
  - the Company passes a resolution at the meeting appointing another person to replace him or her as external auditor; or
  - the external auditor has given notice to the Company that he or she does not wish to be reappointed.
- In the case of the first and the third bullet points above, the Company will appoint a new external auditor at the relevant Annual Meeting of shareholders in accordance with the Companies Act 1993.
- (ii) the Company's Audit & Risk Committee is responsible for:
- monitoring the performance, and independence, of the Company's external auditors; and
  - implementing a selection process and making a recommendation to the Board, if required.
- (c) The assessment of responses from potential external auditors takes into account a number of key criteria, including audit approach and methodology, internal governance processes, global resources, key personnel and cost.
- (d) Once the review process has taken place the Audit & Risk Committee provides the Board with information concerning the process adopted in undertaking the review, the recommended external auditor and the reasons for the final recommendation.

### 2.2 Provision of Services by External Auditors

- (a) The guidelines that follow are designed to ensure that related assurance and other services provided by the Company's external auditors are not perceived as conflicting with the independent role of the external auditor.
- (b) The general principles to be applied in assessing the acceptability of related assurance and other services are as follows:
  - (i) 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.
  - (ii) the external auditor should not perform any function of management, or be responsible for making management decisions.
- (c) There are three categories into which services, subject to the limits as set out in section 4, may be classified are:
  - (i) Services that are **permitted**.
  - (ii) Services that are permitted but only with the **prior approval** of the Chair of the Audit & Risk Committee given the nature, potential quantum and complexity of the service.
  - (iii) Services that are **not permitted**.
- (d) To avoid confusion a listing of services together with illustrative examples is set out below.

Where not specifically addressed, where unclear, or where a variation to this Policy is sought, the Chair of the Audit & Risk Committee must be consulted.

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Service	Permitted	Permitted but Requires pre- approval	Not permitted
<p><b>Statutory audits</b></p> <p>Audit of the group, parent and subsidiary financial statements of the Company.</p>	✓		
<p><b>Review engagements</b></p> <p>Negative assurance in relation to financial statements of the Company and any other review engagements.</p>	✓		
<p><b>Accounting advice</b></p> <p>General advice regarding accounting treatments.</p>	✓		
<p><b>Other attest services</b></p> <p>Provision of opinions or reports (other than audit or review) with respect to financial or non-financial information.</p> <p>Reporting engagements to third parties (e.g. prospectus reports).</p> <p>Providing independent assurance to the Board with respect to a valuation.</p>	✓		
<p><b>Taxation services</b></p> <p>Assistance and advice with respect to the preparation and review of the returns of income and other taxes in New Zealand and overseas jurisdictions.</p> <p>Assistance with IRD queries, requests for information, investigations and audits.</p>	✓		
<p><b>Internal Controls and Systems assurance</b></p> <p>Assurance provided over internal controls including IT internal controls.</p>	✓		
<p><b>Forensic accounting/suspicious transaction analysis</b></p> <p>The provision of forensic accounting and IT services supporting fraud or related investigation activities.</p>	✓		
<p><b>General Consultancy Services</b></p> <p>Any other general consultancy services provided by PwC other than those specifically noted in this document.</p>		✓	
<p><b>Secondments</b></p> <p>Supplementation of the Company's resource to achieve project outcomes.</p>		✓	
<p><b>Staff hiring</b></p> <p>Hiring by the Company - a former partner, principal, or professional employee of the External Auditor (manager or above).</p> <p>Hiring by the External Auditor - a current or former officer, director or employee of the Group.</p>		✓	

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<p><b>Internal audit assistance</b></p> <p>Internal audit resource provided, (e.g. risk management, specialist treasury or IT resource), under the direct supervision of an internal audit manager or the Company's senior management.</p>		✓	
<p><b>Due diligence – Buyside and sellside</b></p> <p>Assistance with financial due diligence and the provision of other services (other than on a contingency fee basis) performed on potential acquisition targets (buyside) or divestments (sellside).</p>		✓	
<p><b>Internal audit outsourcing</b></p> <p>The provision of any internal audit service that has been outsourced by the Company that relates to the Company's internal accounting controls, financial systems or financial statements. Refer also Internal Controls.</p>			x
<p><b>Book-keeping or other services related to the accounting records or financial statements</b></p> <p>Maintaining or preparation of the Company's accounting records. Preparing or originating source data underlying the Company's financial statements.</p>			x
<p><b>Financial information systems design and implementation</b></p> <p>Directly or indirectly operating, or supervising the operation of, the Company's information systems or managing the Company's local area network.</p> <p>Designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the Company's financial statements or other financial information systems as a whole.</p>			x
<p><b>Valuations</b></p> <p>The preparation of valuations of assets and liabilities recognised directly in the financial statements.</p>			x
<p><b>Actuarial services</b></p> <p>Any actuarially-oriented advisory service involving the determination of amounts recorded in the financial statements and related accounts other than assisting in understanding the methods, models, assumptions, and inputs used in computing an amount.</p>			x

Service	Permitted	Permitted but Requires pre- approval	Not permitted
<p><b>Legal services</b></p> <p>The provision of any service to the Company by the audit firm that could be only provided by someone licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.</p>			x
<p><b>Human resource services</b></p> <p>Searching for or seeking out prospective candidates for managerial, executive or director positions.</p> <p>Engaging in formal testing or evaluation programmes.</p> <p>Undertaking reference checks of prospective candidates for an executive or director position.</p> <p>Acting as a negotiator on the Company’s behalf.</p>			x
<p><b>Expert witness</b></p> <p>Acting as an expert witness to support litigation.</p>			x

## 2.3 Auditor Rotation

- (a) The continued appointment of the Company’s external auditors is to be confirmed annually by the Audit & Risk Committee.
- (b) Rotation of the audit signing partner of the Company will be required every five years. Those partners will be subject to a two year cooling-off period following rotation.

## 3. Powers & Authority

The Chair of the Audit & Risk Committee, the Company’s CFO and audit signing partner have overall responsibility for meeting the requirements of this policy.

## 4. Measurement & Reporting Criteria

- (a) The engagement of the Company’s external auditors for the provision of services is subject to the following limits that are to be read in conjunction with and subject to

the Policy Statement at the beginning of this Policy:

- management may engage the external auditor for work that is beyond audit and/or tax compliance services up to a limit of \$20,000 in any one financial year;
  - the Audit & Risk Committee may engage the external auditor for work that is beyond audit and/or tax compliance services up to a limit of \$75,000 in any one financial year;
  - the Board may approve any work that exceeds the above limits.
- (b) Self-certification of external auditor compliance with the policy and all independence requirements is to be reported to the Audit & Risk Committee annually.
- (c) The external auditors are required to advise of all audit and non-audit fee information to the Audit & Risk Committee annually.

### 5. Review

The Board annually reviews this policy.

### 6. Publication

This External Auditor Independence Policy is available on the Company's website, [www.metlifecare.co.nz](http://www.metlifecare.co.nz).