

Audit Independence Policy

Skellerup Holdings Limited

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1. Introduction and Purpose

Skellerup Holdings Limited (“Skellerup” or “the Company”) has established this Policy to ensure audit independence is maintained to protect Skellerup’s reputation for reliable and credible financial reporting and to ensure compliance with the NZX Listing Rules.

2. Background

Oversight of Skellerup’s external audit arrangements is the responsibility of Skellerup’s Audit Committee (the Committee”). Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. This formal External Auditor Independence Policy has been adopted by the Committee to meet this requirement.

The policy covers the following areas:

- Approval of external auditor;
- Provision of other assurance services by Skellerup’s external auditors;
- Pre-approval process;
- External auditor rotation;
- The hiring of staff from the external audit firm; and
- Relationships between the external auditor and Skellerup.

3. Approval of the External Auditor

The Audit Committee shall only recommend to the Board an external audit firm 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 auditor’s engagement;
- has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team Skellerup’s Chief Executive Officer (CEO), Chief Financial Officer (CFO), or any member of Skellerup’s management who act in a financial oversight role;
- does not allow the direct compensation of its audit partners for selling non-audit services to Skellerup.

4. Provision of Other Assurance Services by Skellerup’s External Auditors

The guidelines that follow are designed to ensure that related assurance and other services provided by Skellerup’s auditors are not perceived as conflicting with the independent role of the auditor.

The general principles to be applied in assessing the acceptability of related assurance and other services are as follows:

- 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; it also includes the design on implementation of financial information systems;
- The external auditor should not perform any function of management or be responsible for making management decisions. This includes responsibility for the performance of internal audit functions;

- The external auditor should not be an advocate of the Company. This includes being a promoter of Skellerup shares or legal advocacy.

5. Services Permitted to be Performed

The Audit Committee must pre-approve all audit and related assurance services provided by the external auditor.

Audit Services including:

- Statutory audits of the financial statements of the Company and any subsidiary or affiliate required to be audited in order for the auditors to render an opinion with respect to the audit of the consolidated financial statements of the Company;
- Limited reviews of the half year results and financial position of the Company if determined as necessary by the Board;
- Consultations with management as part of the annual audit as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies (including International Financial Reporting Standards);
- Procedures required to be performed by an independent auditor to be able to form an opinion on the consolidated financial statements;
- Engagements on internal controls for financial reporting and information systems reviews, performed in connection with the audit.

Audit-Related Services:

- General assistance with understanding auditing standards and applicable regulatory rules;
- Any procedures in relation to the Annual Shareholders' Meeting or any special meeting of shareholders;
- Consultations and recommendations in connection with internal control reporting requirements;
- Assessment of risk management controls;
- Opening balance sheet audits of significant acquisitions which will be accounted for as a purchase transaction in the consolidated financial statements;
- Other audit-related services where the general principles outlined above are complied with and there is a clear cost/benefit advantage of using the incumbent audit firm through existing Company knowledge and /or expertise; and
- Other Services (including tax compliance); consistent with the general principles as outlined above are complied with and there is a clear cost/benefit advantage of using the incumbent audit firm through existing Company knowledge and/or expertise.

6. Services Not Permitted

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

- Bookkeeping/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;

- Legal services (these are services that could only be provided by a person who is qualified in law);
- Tax planning advice;
- Management functions;
- Broker/dealer/investment adviser/investment banking services;
- Services of an expert as an advocate;
- Actuarial services;
- Assistance in the recruitment of senior management;
- Financial due diligence on prospective acquisitions or transactions that a Company undertakes or may consider undertaking.

7. Billing Arrangements

The billing arrangements for services provided by Skellerup'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).

8. Other Procedural Requirements

Regardless of Skellerup's policies, it is expected that the auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issues by CAANZ, NZX and the FMA).

While this Policy does not prescribe any particular ratio of 'other service' fees to audit fees, this ratio will be monitored by the Audit Committee. Accordingly, the nature of services provided by Skellerup's auditors and the level of fees incurred should be reported to the Audit Committee in detail, annually, to enable the Committee to perform its oversight role.

9. Pre-Approval and Disclosure of Services

Services permitted to be performed under this Policy involving a total fee of less than \$10,000 can be approved by the Audit Committee Chair. All audit related and other services to be performed by the auditors in excess of \$10,000 require the specific preapproval of the Audit Committee.

In providing approval, the Audit Committee should ensure:

- The service does not give to any self-review or familiarity threat taking into account the safeguards in place;
- That all management decision making is retained by Skellerup;
- The service does not involve the auditor being an advocate of the Company.

10. Disclosure

The Audit Committee should ensure transparency in reporting of all fees paid to the external auditors. As a minimum, fees should be disclosed under three categories:

- Audit Services;
- Taxation; and
- Other.

Further breakdown may be considered based on materiality as determined by the Audit Committee.

11. External Auditor Rotation

- The recommendation of the continued appointment of Skellerup's external auditors is to be considered annually by the Audit Committee to the Board prior to the Annual Meeting of Shareholders. A policy of regular rotation of the audit firm is not mandated.
- Rotation of the Engagement and Quality Review audit partners of Skellerup will be required every 5 years.
- Those partners will be subject to a two-year cooling-off period following rotation.
- All other audit partners will be required to rotate every seven years and will be subject to a two-year cooling-off period.

12. Hiring of Staff from the External Audit Firm

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

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

13. Relationship Between the External Auditor and Skellerup

The auditors are required to confirm their independence and advise the amount of audit and non-audit fees to the Audit Committee annually.

14. Policy Review & Approval

The Audit Committee will review this Policy at least annually and recommend any proposed changes to the Board for approval.

Next Review Date: December 2022