



EXTERNAL AUDITOR INDEPENDENCE POLICY

NOVEMBER 2019

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Table of Contents

1.	Introduction and Purpose	2
2.	Background	2
3.	Approval of Sanford's External Auditor	2
4.	Provision of Other Services by Sanford's External Auditor.....	3
5.	Services Permitted to be Performed by the External Auditor	3
6.	Services not permitted to be performed by the External Auditor	4
7.	Billing Arrangements	5
8.	Other procedural requirements	5
9.	Preapproval and disclosure services	5
10.	External auditor rotation	5
11.	Hiring of staff from external audit firm	6
12.	Accountabilities	6
13.	Policy review	6
14.	Signed and effective 13 November 2019.....	6

1. Introduction and Purpose

This policy is a Board approved governance policy. Sanford Limited ('Sanford' or the 'Company') has established this policy to ensure audit independence is maintained, such that Sanford's reputation for reliable and credible financial reporting is maintained.

2. Background

Oversight of Sanford's external audit arrangements is the responsibility of Sanford's Audit, Finance and Risk Committee (hereafter referred to as AFRC, which is a subcommittee of the Sanford board). 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.

This policy covers the following areas:

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

In this policy:

- **Audit Services** means services provided in the audit or review of Sanford's financial statements (financial statement audit services).
- **Other Services** mean services other than financial statement audit services.

3. Approval of Sanford's External Auditor

The AFRC shall only recommend a firm to be the 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 auditor's engagement;
- Has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team Sanford's Chief Executive Officer (CEO), Chief Financial Officer (CFO) or any member of Sanford's management acting in a financial oversight role; and
- Does not allow the direct compensation of its audit partners for selling Other Services to Sanford.

4. Provision of Other Services by Sanford's External Auditor

The guidelines that follow are designed to ensure that related assurance and other services provided by Sanford's auditor is not perceived as conflicting with the independence 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.
- The external auditor should not have any involvement in the design or implementation of financial information systems.
- The external auditor should not perform any function of management, or be responsible for making management decisions.
- Separation between internal and external audit should be maintained, and therefore the external auditor should not have responsibility for the performance of internal audit functions.

5. Services Permitted to be Performed by the External Auditor

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

Audit services includes:

- 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 AFRC and/or 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.

Related assurance services include:

- General assistance with understanding auditing standards and applicable regulatory rules;
- Limited assurance procedures on selected non-financial information in the Company's Integrated Report;
- 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 group 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.
- 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 to be performed by the External Auditor

It is not considered appropriate for Sanford's external auditor to provide:

- The design of financial information systems;
- Appraisal/valuation services/opinions as to fairness;
- Internal audit services;
- Structured finance advice;
- Financial due diligence services in relation to any potential merger or acquisition transactions that the company undertakes or may consider undertaking;
- Legal services (these are services that could only be provided by a person who is qualified in law);
- Tax planning and strategy services;
- Management functions;
- Broker/dealer/investment advisor/investment banking services;
- Services of an expert as an advocate;
- Actuarial services;

- Assistance in the recruitment of senior management..11.19

7. Billing Arrangements

The billing arrangements for services provided by Sanford'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 Sanford'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 issued by Chartered Accountants Australia and New Zealand, the Financial Markets Authority New Zealand and other relevant overseas accounting bodies). Reference is made in this regard to the Code of Ethics for Assurance Practitioners (PES 1) as issued by the New Zealand Auditing and Assurance Standards Board (the 'Code of Ethics').

While this policy does not prescribe any particular ratio of other service fees to audit fees, this ratio will be monitored by the AFRC. Accordingly, the nature of services provided by Sanford's external auditor and the level of fees incurred should be reported to the AFRC in detail, annually, to enable the committee to perform its oversight role.

9. Preapproval and disclosure services

Services permitted to be performed under this policy involving a total fee of less than \$25,000 can be approved by the AFRC chair. All audit related and other services to be performed by the external auditor in excess of \$25,000 require the specific preapproval of the AFRC.

10. External auditor rotation

The continued appointment of Sanford's external auditor is to be confirmed annually by the AFRC. A policy of regular rotation of audit firm is not mandated.

Rotation of Sanford's Key Audit Partner(s) (as defined in the Code of Ethics) will be required every five years. The partner(s) retiring by rotation will be subject to the following minimum "cooling-off" periods prescribed in the Code of Ethics before they may be reappointed to the relevant role, which include:

- (a) if the individual acted as the engagement partner, the cooling-off period is five years;
- (b) if the individual was responsible for the engagement quality control review, the cooling-off period shall be three consecutive years; and
- (c) if the individual has acted as a Key Audit Partner other than in the capacities set out in (a) and (b) above, the cooling-off period shall be two consecutive years.

Any other partners of the audit firm, that is those who do not provide audit services but specifically other services, will be required to rotate every seven years and be subject to a two-year cooling off period.

Compliance with the above noted rotation requirements shall be reported annually to the AFRC.

11. Hiring of staff from external audit firm

The hiring by Sanford of any former audit partner audit manager must first be approved by the AFRC chair. There are no other restrictions on the hiring of other staff from the audit team.

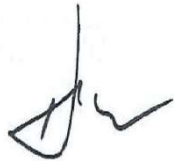
12. Accountabilities

The AFRC Chair and the Sanford Chief Financial Officer have overall responsibility for ensuring compliance with this policy.

13. Policy review

The AFRC shall review this policy every two years and recommend any proposed changes to the board for approval. The next review date will be November 2021.

14. Signed and effective 13 November 2019



Sir R McLeod
Chair, Audit, Finance and Risk Committee



K Turner
Chief Financial Officer