



# External Auditor Independence Policy

February 2019



## RESPONSIBILITIES

Tasks to be undertaken	Responsible Position
Position responsible for final review and approval of this Policy	Board
Position responsible for monitoring compliance with this Policy	Group Financial Controller
Position responsible for enforcing this Policy	Finance, Risk & Audit Committee
Position responsible for recommending any updates to this Policy	Group Financial Controller
How often this Policy is to be reviewed	Annually or as required

## PURPOSE

Ricegrowers Limited and its controlled entities (“SunRice”) are committed to designing and implementing effective systems and processes to enable delivery of its business objectives.

Per articles 2.2.2 and 5.4.2 of its charter, the Finance, Risk and Audit Committee (“FR&A Committee”) is responsible for recommending the appointment, assessing the performance and ensuring the independence of its external auditors.

Audit firms have a legal obligation to ensure and maintain their independence from the company they audit (Divisions 3, 4 and 5 of Part 2M.4 and s307 of the *Corporations Act 2001* and APES 110 Code of Ethics for Professional Accountants) but management and the FR&A Committee are responsible for establishing a policy to satisfy themselves of the auditor’s independence.

The *Corporations Act 2001* (Cth) also requires SunRice’s annual directors’ report to include:-

- Mandatory disclosure of fees for non-audit services provided during the relevant financial year, by the external audit firm; and
- A statement by the Board that it is satisfied that the provision of non-audit services by the external audit firm during the relevant financial year is compatible with the general standard of external auditor independence and the Board’s reasons for being satisfied that the provision of those non audit services did not compromise external audit independence. This statement must be made in accordance with advice provided by the FR&A Committee.

This policy specifically addresses the selection and appointment of external auditor to perform audit and non-audit services. It also covers the employment of former auditors.

This policy does not cover the mechanisms by which the FR&A Committee assesses the performance of external auditors.

### SCOPE

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This policy applies to all services provided by the external auditor, irrespective of the nature and amount. It also deals with the employment or appointment as director of former partners of an audit firm.

Independence of the auditor (understand the audit firm, any of its current or retired partner or any key member of the audit team involved on the audit of SunRice and its subsidiaries) is traditionally assessed by analysing the existence and materiality of the:-

- Business relationships: SunRice and its external auditor should not be involved in business relationship other than for the professional services provided by the auditor (including sponsorships). In addition, the proportion of non-audit services should not be materially unbalanced compared to the amount of audit fees.
- Employment relationship: SunRice should not employ or appoint as director a former audit partner within three years following the resignation from an audit firm.
- Financial relationships: Sunrice and the external auditor should not have investments, loans or any other financial relationship in common.

This policy is set out to ensure that independence principles are respected when appointing the external auditor or during the period the external auditor is in function.

### POLICY

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#### 1. Appointment and reappointment of external auditors

The selection of external auditor must follow the requirements of the Group Procurement Policy. In particular and based on the quantum of audit fees, a tender process would be organized by management and the FR&A Committee to recommend to the Board a reputable and independent audits.

In order to leverage on the global network of a single audit firm, it is recommended, where possible, to use the same auditing firm for the Group audit and the local statutory requirements if any.

The annual reappointment of external auditors does not need to follow the Group Procurement Policy as it is only a confirmation that the auditor remains in function.

The *Corporations Act 2001* does not currently mandate the rotation of audit firm, only the rotation of the audit partner after 5 years. The “cooling-off” period is for a minimum of 2 years before the partner can play a significant role in the audit again.

SunRce does not intend to introduce a mandatory rotation policy and the FR&A Committee will consider the need for rotation in conjunction with the periodic assessment of the auditor’s performance.

#### 2. Non-Audit Services rendered by the external auditor

Generally it is considered appropriate for the external audit firm to provide services which management believes the firm has significant expertise and the provision of which will not impair the firm’s independence.

The services provided however should not result in a position where:-

- The auditor is reviewing its own work to form an opinion on the financial statements.

- The auditor is assuming management responsibilities (which are those which involve leading and directing an entity, including making significant decisions regarding the acquisition, deployment and control of human, financial, physical and intangible resources).
- The amount of non-audit fees becomes disproportionate compared to the audit fees, creating a risk of complacency on the performance of an independent external audit. **The annual amount of non-audit service fees is limited to the lower of 1.5 times the SunRice group annual external audit fees or \$1m.**

The requirements of the Group Procurement Policy also apply for non-audit services and several quotes or a tender process may be required on large consulting projects.

### 2.1 Pre-approved Audit Related and Non-Audit services

Pre-approved services that do not require FR&A Committee approvals are in relation to the following services, provided the audit firm complies with general independence principles (compliance with the Delegation of Authority Matrix applies):-

- Reporting compliance requirement (new local statutory audit for instance when not initially approved by the Board – constitutes a variance to the approved audit fees).
- Accounting advice on the appropriateness of proposed accounting treatments or the impact of new or revised accounting standards.
- Accounting assistance on the preparation of financial information and financial statement.
- Agreed-upon procedures and other assurance engagements on a component of the financial statements (whether historical or prospective).
- Capital market compliance and advice (excluding on structuration of corporate finance transaction, see prohibited services below).
- Risk assessment on the control environment and forensic audit services
- Provision of administrative services such as preparation and lodgment of administrative or statutory form under SunRice supervision and instruction.
- Taxation and more particularly:-
  - Compliance assistance with the preparation of tax returns including in relation to fringe benefits, goods and services and payroll tax and correspondence with tax authorities.
  - Assistance on tax matters. recent developments and/or complex or high risk areas, including responding on behalf of SunRice to the tax authorities' requests for additional information and analysis.
  - Expatriate tax matters.

- Valuations for tax purposes that will not have a direct effect on the financial statements
- Transfer price documentation and benchmarking.

### **2.3 Restricted Non-Audit services requiring FR&A Committee approval**

For any other non-prohibited services (for instance vendor due diligence services, risk advisory services, sustainability services), management will half-yearly present a list to the FR&A Committee for approval. Both management and the external auditor will have performed the assessment of any perceived or identified independence threats and the proposed safeguards to be implemented for the proposed services prior to presentation to the FR&A Committee.

### **2.4 Process for authorization of Non-Audit services**

Where there are non-audit services falling within the Permitted or Restricted categories of services for which management believes the external audit firm has significant expertise and the provision of which will not impair the external auditor's independence, the following procedure are to apply:-

- The Group Financial Controller will prepare a "request for authorization services" form (see appendix) to assess whether there is any threat of independence. If such threat exists, the Group Financial Controller will either ask for more safeguards to be put in place or request for the services to be rendered by another professional service firm.
- Once the Group Financial Controller satisfied itself that independence threats are acceptable, the form along with the internal risk assessment conducted by the external auditor are both communicated to the Chief Financial Officer ("CFO").
- Pre-Approved services can be authorized, provided the amount of fees is within the delegation of authority matrix limits of the initiator of the services.
- Restricted services must obtain FR&A Committee approval. If the work is to be undertaken before the next FR&A Committee meeting, the CFO will contact the Chairman of the FR&A Committee to obtain approval of the services prior to the work starting.
- The FR&A Committee, at its discretion, may refer the matter to the full Board for a decision on significant or sensitive issues.
- Whether Pre-Approved or Restricted, the FR&A Committee authorization is required for every single service when the cumulated amount of non-audit services reach the limit stated in this policy.

### 2.5 Reporting and governance

Half yearly, the CFO will provide a summary of all expenditure incurred with the external audit firm for non-audit services (whether Pre-Approved or not) to the FR&A Committee. This reporting will be used for the disclosure in the annual financial statements of the Audit and Non-Audit fees.

In accordance with the *Corporations Act 2001*, the external auditor will also provide the FR&A Committee with an annual letter confirming their independence having assessed all identified or perceived threats to independence.

### 3. Appointment

SunRice Policy requires management to inform the FR&A Committee of its intention to employ a former auditor in a senior position (FLT or above). An analysis of independence threats should also be communicated to the FR&A before confirming the employment.

A former audit partner should not be employed or appointed director of SunRice within the 3 years following the resignation from an audit firm.

Any breaches of this Policy should be reported to the FR&A Committee for appropriate action.

#### DOCUMENT CONTROL

Version	Date	Approved by	Sign-off date
5	February 2019	SunRice Board	February 2019



# APPENDIX

February 2019





## External Auditor Independence Policy

### REQUEST FOR AUTHORISATION SERVICES

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Information	Description
Name of project/proposal	
Service requested by	
Date of issuance of request	
Estimate of Fees	
Nature of services to be provided (with reference to the list of services referred to in the External Auditor Independence Policy).	
Motivation for the External Auditor to undertake the work	

Non-Audit Fees paid to auditor YTD (to be completed by Group Finance Controller).

- Other assurance services: \$ \_\_\_\_\_
  - Tax advisory services: \$ \_\_\_\_\_
  - Transaction services: \$ \_\_\_\_\_
  - Other Services: \$ \_\_\_\_\_
- Total** \$ \_\_\_\_\_

Signed by Group Financial Controller	Date:
Signed by CFO	Date

*Join in appendix to this form the external auditor independence assessment.*