

External Auditor Independence Policy

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This policy provides guidance on the application of appropriate Corporate Governance and Best Practice recommendations in relation to the provision of external audit services to Sigma Healthcare Limited (Sigma).

This policy describes the services that may be provided by the external auditor of Sigma, whilst maintaining the highest standards of auditor independence.

The monetary value of other services provided by the external auditor must not exceed 75% of the audit fee without the prior approval of the Risk Management & Audit Committee Chairman.

Compliance with this policy is mandatory.

This policy is to be reviewed every 2 years or earlier if deemed necessary.

Objectives

The objective of this policy is to describe the services that may be provided by the external auditor while maintaining the highest standards of corporate governance with respect to auditor independence. Compliance with this policy is mandatory.

Policy review

This policy will be reviewed annually to confirm its relevance with regard to legislation, accounting standards and governance developments.

Scope

This policy applies to all services provided by Sigma's external auditor to Sigma (including all wholly owned subsidiaries and affiliates) irrespective of the value of the services to be performed.

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- 1.0 Performance of External Auditors
- 2.0 Auditor Independence
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1.0 Performance of External Auditors

- 1.1 The Risk Management & Audit Committee, in accordance with its Charter, will review the performance of the external auditor on an annual basis. As well as considering the quality and service orientation of the audit, this review will include an assessment of the independence of the external auditor.
- 1.2 Should the performance of the external auditor be assessed as unsatisfactory, the Risk Management & Audit Committee will determine the course of action, which may include:
- discussion with the external auditor to resolve performance issues;
 - replacement of members within the external audit team; and
 - commencement of a competitive tender process in order to select a new service provider.

2.0 Auditor Independence

- 2.1 An external auditor is required to be independent from the entity it audits. The independence requirements applying to auditors are legally enforceable and are located within the following legislation and standards:
- Divisions 3, 4 and 5 of Part 2M.4 and s307C of the Corporations Act;
 - APES 110 Code of Ethics for Professional Accountants;
 - Auditing standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements; and
 - Auditing Standard ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information.
- Maintaining independence has a number of aspects that the external auditor must be mindful of throughout the client/auditor relationship. A brief overview of the areas an auditor must be aware of and implement appropriate responses to include:
- conflict of interest situations:
 - general requirements, including the provision of certain non-audit services; and
 - specific relationships of the external auditor and/or audit team members with the audited entity;
 - auditor rotation for listed companies.
 - auditors must be diligent in identifying and evaluating threats to independence and applying appropriate safeguards.
- 2.2 This policy is designed to ensure that activities to be undertaken by Sigma's external auditor do not compromise the external auditor's independence.
- 2.3 Many of the services required by Sigma are more effectively provided by the external auditor due to:
- their existing knowledge of Sigma's business;
 - because of their recognised expertise in some areas; or

- to avoid the risk that the external auditor will subsequently take a different view on an issue to another professional advisor.

However, to ensure that the external auditor maintains their independence there are controls in place in relation to non-audit work performed by external auditors. That is, any non-audit assignments performed by the external auditor for Sigma will require prior approval from the Risk Management & Audit Committee Chairman unless stipulated on the pre-approved listing. Refer below for further details.

- 2.4 As part of the independence process, the Risk Management & Audit Committee will require the rotation of the audit signing partner and the engagement quality control review partner every five years. Those partners will be subject to a two year cooling-off period following rotation.

3.0 External Audit Services

3.1 Statement of Principles

The Risk Management & Audit Committee of Sigma must pre-approve the nature of all audit and non-audit services performed by the external auditor in order to ensure that the provision of such services does not impair the external auditor's independence.

To this end, Appendices A, B, C & D to this policy set out details of the nature of all audit and non-audit services that may be performed by the external auditor and to which the Risk Management & Audit Committee has provided their approval.

The monetary value, in aggregate, of other services provided by the external auditor as set out in Appendices B, C and D must not exceed 75% of the audit fee (refer Appendix A) without the prior approval of the Risk Management & Audit Committee Chairman.

All other services not listed in the Appendices to this policy must be submitted to the Risk Management & Audit Committee Chairman for consideration and approval prior to the engagement of the external auditor.

Nothing in this policy is to be interpreted as removing or qualifying in any way the obligation of the external auditor not to undertake any services which are contrary to the applicable rules or policies of any relevant authority.

3.2 Other Approval and Governance Processes

The Risk Management & Audit Committee must specifically approve the terms of the annual audit services engagement.

The Chief Financial Officer will monitor the quantum and type of services provided by the external auditor and the ratio of audit to non audit services. The Chief Financial Officer will report to the Risk Management & Audit Committee in this regard on a six monthly basis.

The external auditor will also report to the Risk Management & Audit Committee, on a six monthly basis aligned with the reporting periods, regarding the audit and non-audit services it is providing, including the status of such services and the effect of providing those services on its independence.

3.3 Delegation

The Risk Management & Audit Committee may delegate approval authority to one or more of its members.

The members to whom such authority is delegated must report any approval decisions to the Risk Management & Audit Committee at its next scheduled meeting.

The Risk Management & Audit Committee may not delegate to Management the responsibility to approve services performed by the external auditor.

3.4 Prohibited Services

The external auditor must not provide services that have the potential to impair or appear to impair the independence of its audit role.

These include services which are likely to:

- create a mutual or conflicting business, financial or other interest between the external auditor and sigma;
- result in the external auditor auditing its own work;
- result in the external auditor performing management functions or acting as an employee;
- place the external auditor in a position of acting as an advocate for Sigma.

The following specific services are prohibited:

- the design or implementation of internal controls over financial reporting and accounting records; and
- services involving payment of a contingency fee, commission or success fee.

Furthermore, no indemnification or exemption of any liability may be provided to the external auditor in relation to the following:

- annual audits and interim reviews of Sigma; and
- audits of any company for the purposes of the Corporation Act.

A full list of prohibited services is attached to this policy at Appendix E.

Appendix A	Pre-Approved Audit Services
Appendix B	Pre-Approved Audit-Related Services
Appendix C	Pre-Approved Tax Services
Appendix D	Pre-Approved Other Services
Appendix E	Prohibited Non-Audit Services

Further Information

To clarify any matters addressed in this policy, please contact Sigma's Group Chief Financial Officer.

Pre-Approved Audit Services

Other than as noted below, pre-approved audit services are limited to the fees agreed in the annual audit engagement letter approved by the Risk Management & Audit Committee.

Services

1. Statutory audits, financial audits, interim reviews and other audits as required by Sigma Healthcare Limited or its wholly owned subsidiaries as permitted by applicable companies and securities legislation.
2. Audit, review and attestation services associated with the registration and/or filing of documents with corporate entities, regulatory or supervisory authorities and stock exchanges, where it is mandatory or more practical for the external auditor to provide those services.

Pre-Approved Audit-Related Services

Services

1. Accounting advice on the appropriateness of proposed accounting treatments to be adopted for specific transactions or advice on the impact of new and revised accounting standards on Sigma.
3. Agreed upon procedures or comfort letters provided by the external auditor (including to third parties) in respect of treasury and banking related activities.
4. Review of the operational effectiveness of business process cycles that impact on financial systems including the design and implementation of relevant controls (e.g. revenue/receipts, procurement/payments, payroll and general IT systems), provided that such services do not involve the design or implementation of internal controls over financial reporting. This work could include the delivery of recommendations regarding potential areas of improvement.

Pre-Approved Tax Services

Services

1. Australian and international tax compliance advice and services (excluding strategic tax planning and structuring and transfer pricing matters) including assistance with tax exemptions and the preparation of reports used to comply with taxing authority documentation requirements.
2. Advice and services regarding:
 - lodgement of income tax returns and tax ruling requests pursuant to Australian and foreign tax legislation;
 - lodgement of returns relating to any form of indirect or secondary tax;
 - assistance in the preparation of tax returns referred to in the two items immediately above but with no authority for making decisions, elections or determining any amounts declared therein; and
 - the handling of specific items in tax returns and in connection with responding to queries in relation to those returns from relevant tax authorities.
3. Advice and opinions interpreting taxation legislation, law and practice in connection with tax audits and appeals before Australian and foreign tax authorities and agencies.
4. Advice and opinions interpreting Australian and foreign tax legislation, law and practice in connection with transactions implemented or proposed by Sigma. This is subject to prohibitions on certain types of transactions that are “potentially abusive”, “confidential” or “aggressive”.
5. Tax only valuation services related to transfer pricing and cost segregation studies, where the valuation is not included in the financial statements of Sigma.
6. General advice regarding statutory, regulatory or administrative taxation developments.
7. Training in relation to changes in tax law and compliance matters.
8. Employee tax assistance and compliance, including compliance with fringe benefits tax requirements, relocation and associated matters, advice on the impact of changes in local tax laws and consequences of changes in compensation programs or practices. These services will not extend to the provision of bookkeeping services or the handling of funds.
9. Review of tax compliance procedures and tax risk management, other than in connection with the provision of audit services.
10. Licensing and maintenance of income tax preparation software, provided that the functionality is limited to the preparation of tax returns, the service does not involve the design or implementation of financial information systems that are used to generate information forming part of the financial statements and the external auditor does not perform any management function.

Other Pre-Approved Services

Service

1. Quality assurance reviews at the inception or conclusion of projects.
2. Review of compliance with laws and regulations concerning incorporation or organisation of entities, constituent documentation (such as constitutions and articles of association) and lodgement of statutory filings with regulators.
3. Undertaking internal investigations and fact finding in connection with alleged improprieties.
4. Review of the operational effectiveness of treasury operations and delivery of recommendations regarding potential areas of improvement, provided that such services do not involve the design or implementation of internal controls over financial reporting.
5. Training of employees in relation to new or revised accounting standards.
6. Financial, advisory or tax-related services pertaining to the provision of debt finance.

Prohibited Non-Audit Services

The following services are prohibited and cannot be provided by the external auditor of Sigma.

1. Bookkeeping or other services related to the accounting records or financial statements.
2. Financial information systems design and implementation.
3. Valuation services (other than tax only valuation services as noted in Appendix C), appraisal or fairness opinions.
4. Actuarial services.
5. Internal audit outsourcing services.
6. Management functions.
7. Secondments to Sigma where the audit firm secondee acts as Sigma management, or performs any decision-making, supervisory or ongoing monitoring functions.
8. Human resources and recruitment services.
9. Broker-dealer, investment adviser or investment banking services.
10. Legal services.
11. Providing an expert opinion or other expert service for the purpose of advocating the interests of Sigma Healthcare Limited in litigation or in regulatory or administrative proceedings or investigations.
12. Assistance or advice on matters of a strategic tax planning or structuring nature.
13. The marketing, planning or positively opining on the tax treatment of confidential transactions or aggressive tax position transactions.

Updated: June 2018