

Select Harvests Limited

EXTERNAL AUDITOR INDEPENDENCE POLICY

1 Introduction

- 1.1 This policy provides guidance on the provision of external audit services for Select Harvests Limited (**SHV**). This policy should be read in conjunction with the Audit and Risk Committee (**ARC**) Charter, which outlines the responsibilities of the ARC in regards to the provision of audit services. The SHV Board recognises that the ultimate responsibility for the integrity of the Company's financial reporting lies with the full Board. The Board, through the ARC, looks to external audit as one form of assurance that the annual accounts are free from material error and internal controls are operating effectively in all material respects in relation to financial reporting. The purpose of this policy is to define those areas the ARC should consider in relation to the provision of external audit services and the measures to ensure that such audit services are provided by an independent auditor.
- 1.2 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* (Cth) (the **Act**) and APES 110 Code of Ethics for Professional Accountants) but management and the ARC are responsible for establishing a policy to satisfy themselves of the auditor's independence.
- 1.3 The Act also requires Select Harvests Limited annual directors' report to include:
- Mandatory disclosure of fees for non-audit services provided during the relevant financial period, 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 period 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 auditor independence. This statement must be made in accordance with advice provided by the ARC.
- 1.4 In summary, this policy provides as follows:

Responsibilities	
Task to be Undertaken	Responsible Position
Final review and approval of this Policy	Board
Monitoring compliance with this Policy	Group CFO
Enforcement of this Policy	Audit & Risk Committee
Recommending updates to this Policy	Group CFO

- 1.5 Any potential or actual breach of this Policy should be reported to the ARC for appropriate action.

2 Appointment, Reappointment and removal of the external auditor

- 2.1 The ARC has been empowered to recommend to the Board the selection and reappointment and, if appropriate and subject to shareholder approval if required, termination of the external auditor
- 2.2 If the role of external auditor becomes vacant, or if the ARC otherwise considers it

External Auditor Independence Policy

appropriate to do so, the ARC will conduct a formal tendering process. Tenders will be evaluated in accordance with the disclosed criteria as appropriate at the time. However, tenders are not assessed solely on price but on a number of issues including:

- skills and knowledge of the proposed external audit team;
- independence of the external audit firm and more specifically the audit partner in relation to SHV;
- understanding of the industry;
- quality and thoroughness of proposed audit coverage; and
- value for money.

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

- 2.3 The Corporations Act 2001 does not currently mandate the rotation of the 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. SHV does not intend to introduce a mandatory rotation policy and the ARC will consider the need for rotation in conjunction with the periodic assessment of the auditor’s performance.

.3 Performance of Auditor

- 3.1 The ARC, in accordance with its charter, reviews the performance of the external auditor on an annual basis. In reviewing the performance of the external auditors, the ARC focuses on:
- the quality and rigour of the audit;
 - the quality of service provided;
 - the audit firm’s reputation; and
 - the independence of the auditor.
- 3.2 Where the performance of the external auditor is assessed as being unsatisfactory, the ARC determines and recommends to the Board the course of action, which may include:
- discussion with the external audit firm to resolve performance issues;
 - replacement of members within the external audit team; or
 - commencement of a competitive tender process in order to select a new service provider.

4 Auditor Independence

- 4.1 The ARC will review the independence of the external auditor annually. In evaluating auditor independence, it is important that the auditor is independent not only in fact, but also in appearance, such that a reasonable third party, having knowledge of all relevant information, would reasonably conclude that the firm’s independence had not been compromised.

The external auditor is precluded from providing any services that might threaten its independence or conflict with its assurance and compliance role. Specifically, any firm providing audit services to SHV will need to satisfy the ARC that:

External Auditor Independence Policy

- no services will be provided that will result in a conflict of interest;
 - no partner, professional member or staff or superannuation fund of the firm holds any shares or options, either directly or indirectly, in SHV or its controlled entities;
 - any services provided by the firm additional to that of the audit function involving non-audit services traditionally performed by accounting firms, would not have a material bearing on the audit and would not involve the firm auditing itself;
 - the firm has an appropriate and agreed audit partner rotation policy;
 - no partner or member of staff or spouse or close relative of an audit partner or member of the audit staff holds a position as a director or executive of SHV or its controlled entities; and
 - there will be no situations where the auditor assumes the role of management or where the auditor is placed in the role of advocate for SHV.
- 4.2 Attachment A of this Policy highlights those audit and audit related services that are permitted and those that are prohibited.
- 4.3 Half yearly reports on the provision of auditing and related services are provided to the ARC. The ARC reviews these reports and satisfies itself that any non-audit services do not compromise the external auditor independence.

5 Provision of Non-audit related services

The external auditor can be engaged to perform audit or non-audit services in line with the permitted services as detailed in Attachment A of this Policy subject to the prior approval of the ARC if the annual fees for non-audit services are reasonably likely to exceed a ratio of 3:1 audit to non-audit fees. It should be noted that significant projects undertaken by the auditors for non-audit services may be separately disclosed in the annual financial statements.

6 Responsibility of the external auditor

The external audit firm will maintain a quality control system that provides assurance that its independence will not be impaired. The external auditor twice-annually provides a letter to the Board on their independence within the meaning of relevant legislation and professional standards. In accordance with the Corporations Act 2001, the external auditor will also provide the ARC with a letter confirming their independence having assessed all identified or perceived threats to independence in connection with the release of the half-year and full-year financial statements.

7 Audit Delivery and Reporting

- 7.1 Each year as part of the external audit assignment the external auditors, after discussions with management, will issue an external audit plan for review and discussion with the ARC. The audit plan should outline the standard combination of control and substantive based procedures to be completed.
- 7.2 The plan should also include additional audit procedures, based on the external auditor's analysis and understanding of developments during recent months, which require additional emphasis during the audit.
- 7.3 The external audit plan will apply materiality to assist in determining when the external

External Auditor Independence Policy

auditors would expect to involve the ARC, should it become necessary, in order to resolve an audit or accounting issue. It also affects the extent to which the external auditors perform detailed procedures on smaller account balances in the financial records.

- 7.4 All audit differences in excess of a set limit each year are to be brought to the attention of management for further consideration and action as appropriate.
- 7.5 On completion of the semi-annual audit, the Auditors provide the ARC with a closing Management Report and an audit opinion. The Management Report will confirm the audit findings and highlight any of these audit differences that have not been addressed by management and the potential impact on the accounts. The audit opinion will indicate the auditor's conclusion as to the integrity of the financial statements.

8 Review and Communication

This policy will be reviewed annually to check it is operating effectively. As a result, the content of this Policy may change from time to time as approved by the Board. The policy is available on SHV's website <https://www.selectharvests.com.au/>

9 Approved and adopted

This policy was approved and adopted by the Board on 27 November 2020.



External Auditor Independence Policy

Attachment A

Permitted Services – General Approval

A. Audit Services

1. Audits of consolidated financial statement including interim reviews, consultation on accounting issues, internal control work, attendance at Board Audit and Risk Committee meetings, use of specialists in connection with the foregoing, preparation of management letter and other services integral to audits of financial statements.
2. Audit of subsidiary financial reports required by local reporting requirements or from time to time by management.
3. ASIC consultation, including review of correspondence relating to filings.
4. Audits of opening balance sheets of acquired companies.
5. Audits and accounting consultation on acquisition, dispositions and discontinued operations.
6. Audits of financial statements and transactions that are used by lenders, filed with government and regulatory bodies and similar reports.

B. Non-audit Services

Assurance related services

1. Services that result from the role of the firm as independent auditor.
2. Compliance letters, agreed-upon procedures, reviews and similar reports based on audited financial statements, financial information or the role of the independent auditor.
3. Acting as scrutineer at general meetings of the company.
4. Provision of training and technical material in relation to application of accounting principles.
5. Tax related services
6. Tax return and tax accrual reviews, consultations and assistance.
7. Tax planning and other non-compliance related consultation or services.
8. Other tax related services.

C. Prohibited Services

1. Bookkeeping or other services related to the accounting records or financial statements of the audit client.
2. Preparation of financial statements.
3. Financial information systems design and implementation.
4. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports.
5. Internal audit services.
6. Management functions or human resources.



External Auditor Independence Policy

7. Independent expert reports
8. Legal services and expert services unrelated to the external audit.
9. Litigation support.
10. Any other service that the Board determines is impermissible