

EXTERNAL AUDITOR INDEPENDENCE POLICY

PURPOSE

The purpose of Auditor Independence Policy (Policy) is to outline Abano Healthcare Group's commitment to ensuring audit independence, both in fact and appearance, so that Abano's external financial reporting is viewed as being objective and without bias.

OBJECTIVES

- Ensure that the Company's Auditors' maintain their independence requirements and any risk factors that may threaten this are identified and addressed prior to undertaking audit engagements
- Provide shareholders with independent, external assurance on Abano's financial reporting
- Meet regulatory obligations and industry best practice guidelines in regards to Auditor independence
- Allocate non-audit work in such a manner to avoid compromising auditor independence

DEFINITIONS

- **Abano** refers to Abano Healthcare Group Limited, also referred to as **the Company**
- **Abano Group** refers to Abano Healthcare Group Limited and all its subsidiaries
- **Auditor** refers to the appointed External Auditor Firm, the network of that firm, as well as the individuals employed by that firm
- **Board and Directors** are the Board and Directors of Abano, unless specifically referred to as board and directors of a subsidiary business owned by Abano
- **RAAC** is Abano's Risk Assurance and Audit Committee
- **Staff** is defined as all Directors, employees, contractors and service providers of Abano Group
- **Subsidiary businesses** are included in the Abano Group definition unless specifically referred to as a subsidiary business

POLICY OVERVIEW

Abano is committed to ensuring the quality and independence of the external audit process so that existing and potential shareholders can rely on the financial reporting provided by the Company.

This Policy covers the following areas:

- Selection and approval of the Auditor
- Provision of Other Services by Abano's Auditors

External Auditor Independence Policy

- Remuneration of the Auditors
- Rotation of the Auditor
- Hiring of staff from the Auditor
- Responsibilities

This Policy's principles of independence with respect to services provided by Auditors are largely predicated on three basic principles, violations of which would impair the Auditor's independence:

- (1) An Auditor cannot function in the role of management;
- (2) An Auditor cannot audit his or her own work; and
- (3) An Auditor cannot serve in a formal/or informal advocacy role for his or her client.

The following employees are deemed to perform a financial reporting oversight role: Chief Executive, Chief Financial Officer and Group Financial Controller.

The Board believes this Policy is in line with the principals outlined in the FMA Corporate Governance Handbook December 2014, specifically Principle 7 (Auditors).

This Policy is in line with the Principles outlined in the NZX Corporate Governance Best Practice Code, specifically 3.5 (Risk Assurance and Audit Committees) and 4 (Relationship with the Independent Auditor).

This Policy complements other Abano policies, including the Risk Assurance and Audit Committee Charter and the Whistle Blowing Policy.

Development of local and overseas practice with regard to related assurance services shall be monitored on an ongoing basis to ensure that Abano's policies remain compliant with best practice.

POLICY DETAILS

Approval and Appointment of the External Auditor

The nomination, performance, oversight and compensation of Abano's External Auditor is the responsibility of Abano's Risk Assurance and Audit Committee. The role of the Risk Assurance and Audit Committee (RAAC) is detailed in Abano's Risk Assurance and Audit Committee Charter.

The RAAC will only nominate a firm to be the External Auditor if that firm:

- Would be regarded by a reasonable shareholder 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;

External Auditor Independence Policy

- Has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team, Abano's Chief Executive Officer, Chief Financial Officer, Group Financial Controller or any member of Abano's management who acts in a financial oversight role;
- Does not allow the direct compensation of its audit partners for selling non-audit services to Abano. This is also required by the Auditors professional and ethical guidelines and standards prescribed by the audit profession.

The appointment and reappointment of the External Auditor is conducted in line with the requirements of s207 of the Companies Act 1993 and s37 of the Financial Reporting Act 2013.

The RAAC has regular meetings with the auditor and provides a channel for regular dialogue between the Auditor and the Board.

Provision of Other Services by Abano's External Auditors

The guidelines that follow are designed to address what services may be provided to Abano by the External Audit firm. The objective is to ensure that non-audit services provided by Abano's Audit firm are not perceived as conflicting with the independent role of the Company's Auditor. The guidelines restrict the Auditor's involvement in the following:

- Involvement in the production of financial information or preparation of financial statements such that they might be perceived as auditing their own work;
- The provision of valuation services;
- Staffing of temporary roles;
- Providing actuarial services;
- Advising on taxation planning and strategy matters;
- Providing broker, dealer, investment advisory or investment banking services;
- Performing any function of management, or being responsible for making management decisions;
- Responsibility for the design or implementation of financial information systems; and
- Providing internal audit services.

To avoid confusion, a listing of services together with illustrative examples is set out in the Appendix to this Policy. Where not specifically addressed, or where a variation to this policy is sought, the Chairman of the Audit Risk Assurance and Audit Committee is to be consulted.

On an annual basis, the total amount of fees billed by the audit firm for non-audit services should not exceed 50% of the audit fee, unless approved by the Chair of the Risk Assurance and Audit Committee.

Any prohibitions apply to all offices of the firm of Abano's Auditors, including subsidiary businesses.

Any audit service permitted without prior approval of the Audit Risk Assurance and Audit Committee, is required to be approved by the CFO or the CEO.

Remuneration of the External Auditors

The billing arrangements for services provided by Abano's Audit firm should not include any contingent fees (e.g. where a success fee is paid depending upon whether a transaction proceeds or not).

In accordance with the Companies Act 1993 s207s, the fees and expenses of the External Auditor are fixed. At the annual meeting shareholders vote to authorise the Directors to appoint the auditors and fix the Auditors' remuneration.

The fees paid to the Auditors for audit and individually identified non-audit work are detailed in Abano's annual report.

Other procedural requirements

This Policy requires that the ratio of "other" service fees to audit fees not exceed 50%, this should be monitored by the Risk Assurance and Audit Committee.

Accordingly, the nature of services provided by Abano's Auditors and the level of fees incurred should be reported to the RAAC in detail on a regular basis to enable the Risk Assurance and Audit Committee to perform its oversight role.

Regardless of Abano's policies, it is expected that Abano's Auditors will rigorously comply with their own internal policies on independence and will confirm to the RAAC annually that it is in compliance with the professional standards and ethical guidelines of all relevant professional guidance (including independence rules and guidance issued by the Institute of Chartered Accountants of New Zealand, the Financial Markets Authority and other relevant overseas accounting bodies).

It is expected that the Auditor will monitor his/her firm's independence in relation to Abano and confirm annually that it has remained independent during the previous twelve months.

Auditor Rotation

The continued appointment of Abano's Auditors is to be confirmed annually by the RAAC. A policy of regular rotation of the audit firm is not mandated.

Rotation of Abano's client service partner, and the lead and concurring audit partners of Abano and its subsidiaries will be required every five years. Those partners will be subject to a five 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. Accordingly it is expected that such a policy will be adopted by Abano's auditors. Compliance with this requirement shall be reported to the RAAC annually.

Hiring of Staff from the Audit Firm

The hiring by Abano of any former audit partner or audit manager must first be approved by the Chairman of the Risk Assurance and Audit Committee. There are no other restrictions on the hiring of other staff from the audit firm, except in cases where such restriction has been contractually agreed between Abano and the Auditor.

RESPONSIBILITIES

Responsibility for administering this Policy rests with the Risk Assurance and Audit Committee (RAAC).

The Chairman of the RAAC and the Chief Financial Officer of Abano have overall responsibility for meeting the requirements of this Policy and for managing an annual review of this Policy or as needed.

REVIEW AND APPROVAL

Reviewed and approved	By the Board	6 April 2016
Next review date		February 2018

Appendix 1 Attached: Guidance on the Provision of Services by the External Auditor

APPENDIX: GUIDANCE ON THE PROVISION OF SERVICES BY THE EXTERNAL AUDITOR

Permitted without prior approval of the Risk Assurance and Audit Committee

- Statutory Audit: Full and half year audit of the financial statements of Abano Healthcare Group Limited and subsidiary or associated companies, subject to fee approval by the Risk Assurance and Audit Committee.
- Extended scope audit: The external audit plan for Abano Healthcare Group Limited does not include, for reasons of materiality, the audit of the financial statements of a regional operation. Approaching year end, if management are concerned as to the reliability of the financial reporting from this subsidiary, they may vary the scope of the annual audit to include a further work being performed.
- Other attest services: Provision of an opinion with respect to the non-financial information disclosed in the annual report.
- Accounting opinions and advice: Provision of an opinion regarding the accounting treatment which Abano Healthcare Group Limited and subsidiary or associated companies propose to adopt with respect to an existing, new or amended financial reporting standard or international accounting standard.

Permitted with prior approval of the Risk Assurance and Audit Committee

- Engagements over \$20,000 require prior approval of the Risk Assurance and Audit Committee.
- Other attest services: Attendance as scrutineers at Annual Shareholders Meeting.
- Provision of an opinion with respect to financial or Information Technology internal controls.
- Expert witness: Where Abano Healthcare Group Limited and subsidiary or associated companies engages an expert witness to support litigation.
- Due Diligence: Assistance with financial and tax due diligence performed on potential acquisition targets, including review of financial statements, and other financial data and records, discussions with target's finance and accounting personnel and external auditor, and also accounting consultations relating to the proposed transactions.
- Tax – compliance: Assistance and advice with respect to the preparation and review of the returns of income and other taxes in NZ and overseas jurisdictions.
- Assistance and advice with respect to the preparation and review of the tax returns of Abano employees resident or employed outside of NZ.

Not Permitted

- Internal Audit co-sourcing or outsourcing: The use of any internal audit service that has been outsourced by Abano that relates to the internal accounting controls, financial systems, or financial statements.

External Auditor Independence Policy

- Financial information systems design and implementation: Directly or indirectly operating, or supervising the operation of, information system or managing the local area network; or designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to the financial statements or other financial information systems taken as a whole.
- Legal Services: The provision of any service to Abano Healthcare Group Limited and subsidiary or associated companies by the audit firm that, could be provided only by someone licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.
- Actuarial services: Any actuarially-oriented advisory service involving the determination of amounts recorded in the financial statements and related accounts for the audit client other than assisting a client in understanding the methods, models, assumptions, and inputs used in computing an amount.
- Tax Compliance: Provision of personal or individual tax services to officers in a financial reporting oversight role.
- Tax-policy: Advice and assistance in the tax effective structuring of transactions.
- Valuations: Provision of independent advice as to the value of a business for acquisition or divestment. Provision of independent advice with respect to the valuation of an intangible asset or cash generating unit for the purposes of carrying out an impairment test required to support a financial period end review process.
- Broking / Dealing: Management wishes to engage the Audit Firm to undertake broking, dealing, investment acquisition or divestment advice (excluding due diligence), or investment banking work.