

SUMMERSET GROUP HOLDINGS LIMITED

EXTERNAL AUDIT INDEPENDENCE POLICY

1. About this Policy

1.1. Purpose and Background

Summerset will maintain external audit independence consistent with regulatory and stock exchange requirements and current best practice, with the objective being to ensure that Summerset's external financial reporting is viewed as being highly reliable and credible.

This policy provides guidance on the provision of external audit services to ensure the independence of the external auditor, both in fact and appearance.

This policy applies to Summerset Group Holdings Limited and its subsidiaries.

2. Policy Statement

2.1. Statement of Purpose

- 2.1.1 Oversight of Summerset's external audit arrangements is the responsibility of the Audit & Risk Committee. This policy complements the Audit & Risk Committee Charter which specifies the Audit & Risk Committee's responsibilities as including:
 - (a) Recommend the appointment, compensate and oversee the work of the external audit firm employed by the organisation to conduct the annual audit; and
 - (b) Pre-approve all assurance and permitted non-assurance services performed by the company's external audit firm.
- 2.1.2 The role of the external auditor is critical for the integrity of financial reporting of Summerset. The purpose of this policy is to govern the assessment and maintenance of the external auditor's independence both in fact and appearance on an ongoing basis.
- 2.1.3 The External Audit Independence Policy primarily relates to the external auditor and their audit and review of the financial statements of Summerset.

2.2. Approval of External Auditor

- 2.2.1 Engagement and termination of the external auditor (audit firm) for the provision of external audit services is approved by the Board on the recommendation of the Audit & Risk Committee.
- 2.2.2 The rotation of the audit firm will be tendered and formally assessed by the Audit & Risk Committee at least every 10 years, with the incumbent external auditor eligible to participate in the tender process.
- 2.2.3 The Audit & Risk Committee shall only recommend a firm to be external auditor if that firm:

- (a) Is appropriately qualified and independent, and comply with best practice requirements imposed by NZX and FMA and other legal requirements in relation to rotation of tenure;
 - (b) 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 external auditor's engagement;
 - (c) In the two years prior to the commencement of the external audit, has not had Summerset's Chief Executive Officer, Chief Financial Officer, or any member of Summerset management who acts in a financial oversight role as a member of its audit engagement team;
 - (d) Does not allow its audit partners to receive direct compensation for selling non-audit services to Summerset;
 - (e) Given Summerset is a FMC entity, the external auditor must be an approved registered auditor; and
 - (f) Is approved by the Bond Supervisor to be the external auditor as required under the Bond Master Trust Deed.
- 2.2.4 The external auditor must monitor its independence and report in writing to Summerset's Audit & Risk Committee annually that it has remained independent during the previous 12 months.
- 2.2.5 The Audit & Risk Committee must review the independence of the external auditor annually.

2.3. Provision of Non-Assurance Services by Summerset's External Auditors

2.3.1 Assurance and Non-Assurance Services

Changes made to the Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA) effective from December 2022, drew a distinction between assurance services (those performed under an assurance standard) and non-assurance services. Non-assurance services are required to be pre-approved by those charged with governance (Chair of the Audit & Risk Committee).

For the avoidance of doubt, assurance services include audit and review engagements and other assurance services performed under an assurance standard. A non-assurance service are those engagements that do not meet the definition of an assurance engagement.

- 2.3.2 The guidelines that follow are designed to ensure that assurance services (other than audit and review services) and non-assurance services provided by Summerset's external auditors are not perceived as conflicting with the independent role of the external auditor. General principles to be applied in assessing assurance services (other than audit and review services) and non-assurance services are as follows:
- (a) 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;

- (b) The external auditor should not perform any function of management, or be responsible for making management decisions;
- (c) The external auditor should not be responsible for the design or implementation of financial information systems; and
- (d) The separation between internal and external audit should be maintained.

2.3.3 Services permitted to be performed

In addition to core assurance services relating to statutory and regulatory audits, the following services are permitted:

- (a) Advice on appropriate accounting standards and the interpretation and application thereof;
- (b) Listing advice;
- (c) Accounting/technical training;
- (d) Audits of existing company systems and processes;
- (e) Audits of regulatory requirements;
- (f) Reporting engagements to third parties e.g. prospectus opinions;
- (g) Secondments of junior staff who are not part of the external audit engagement team;
- (h) Advice on the interpretation and application of IRD taxation legislation; and
- (i) Other assurance services performed under an assurance standard, including but not limited to sustainability assurance services.

2.3.4 Services not permitted to be performed

No work may be carried out by the external auditors in the following areas:

- (a) Services that would result in the external auditor auditing its own work or advice;
- (b) Design and implementation of key financial information systems and processes;
- (c) Valuation of assets and liabilities other than as required to complete regulatory audit requirements;
- (d) Book keeping / other services related to accounting records or financial statements;
- (e) Liquidations and receiverships;
- (f) Taxation services, including tax planning, strategy and compliance;
- (g) Taking responsibility for the preparation of financial statements; and
- (h) Internal audit assistance that relates to internal controls over financial reporting, financial accounting systems, or amounts or disclosures material to the financial statements.

2.3.5 Other services not specifically addressed above may be performed subject to the prior approval of the Chair of the Audit & Risk Committee. Where a variation to this policy

is sought, the Chair of the Audit & Risk Committee is to be consulted and approval granted before services are provided.

- 2.3.6 The Audit & Risk Committee must also approve all permissible non-assurance work assignments that are awarded to the external auditor, prior to work commencing and the details and value of the approved permissible non-assurance work must be reported at the next Audit & Risk Committee meeting.
- 2.3.7 Non audit related services (i.e. assurance services other than audit and review services and non-assurance services) fees should not exceed 70% of the average audit and review services fees paid in the last three consecutive financial years. . Notwithstanding this limit, if in the view of the Audit & Risk Committee of Summerset, the level of fees for non-audit related services being paid to the external auditor is of a magnitude that could impair, or be perceived to impair auditor independence, the Audit & Risk Committee of Summerset may from time to time impose further restriction on non-audit related work being awarded to the external auditor.
- 2.3.8 The external auditor is bound by their own internal and external audit independence policies and any work undertaken by them must not be in breach of those policies. The external auditor must confirm in writing their independence is not breached before commencing any pieces of work.

2.4. Responsibilities of the External Auditor

- 2.4.1 It is expected that Summerset's external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issued by the External Reporting Board and other relevant overseas accounting bodies).
- 2.4.2 The external auditors shall annually confirm their compliance with professional standards and ethical guidelines of the External Reporting Board, to evidence their competence.
- 2.4.3 The hiring by Summerset of any former audit partner or audit manager must first be approved by the Chair of the Audit & Risk Committee. There are no other restrictions on the hiring of staff from the audit firm.
- 2.4.4 Summerset requires the statutory auditor to rotate the lead audit partner for Summerset at least every five years with suitable succession planning to ensure consistency. Other key audit partners, considered to be making key decisions or judgements on matters significant to the audit, are required to rotate every seven years.
- 2.4.5 Representatives of the external auditor (including at least the Engagement Partner) will attend each Annual Meeting to answer any questions by shareholders about the external audit and the content of the Auditor's Report.

2.5. Responsibilities of Summerset

- 2.5.1 Reports will be provided to the Audit & Risk Committee of Summerset on a regular basis detailing the level of fees paid to the external auditor, differentiating between assurance and non-assurance services.

- 2.5.2 The Audit & Risk Committee of Summerset will require the external auditor to confirm annually that it has complied with all professional regulations relating to audit competency and independence. Specifically, the external auditor will be required to confirm its commitment to strict procedures to ensure that:
- (a) The external auditor, its partners and staff do not have any direct or indirect financial interest in Summerset;
 - (b) There are no business relationships between Summerset and the external auditor, beyond the provision of external audit services or approved services provided pursuant to this policy;
 - (c) No fee paid by Summerset to the external auditor for external audit services is paid on a contingency basis; and
 - (d) No partner, member of staff, spouse or close relative of an audit partner or member of the audit staff holds a position as a Director or Executive Leadership Team member at Summerset.
- 2.5.3 The Audit & Risk Committee of Summerset will require the external auditor to provide the following assurances annually:
- (a) The total fees received by the external auditor from Summerset do not have a material impact on its operations or financial condition;
 - (b) Summerset has not withheld fees from the external auditor; and
 - (c) There is no litigation between Summerset and the external auditor.

2.6. Application

- 2.6.1 This policy applies to the external audit firm providing audit services to Summerset, the Audit & Risk Committee, the Chief Executive Officer, the Chief Financial Officer and all Directors and employees who interact with the external auditors.