

AUGUST 2019

# External Auditor Independence Policy



## Policy Statement

1. This policy helps ensure external audit independence is maintained in fact and appearance so Chorus' external financial reporting is viewed as highly reliable and credible.
2. The Audit and Risk Management Committee (**ARMC**) is responsible for oversight of Chorus' external audit arrangements. Ensuring external audit independence is maintained is a key aspect in discharging this responsibility.

## External Auditor

3. The ARMC may recommend an external auditor only where satisfied the audit firm:
  - would be regarded by a reasonable investor with full knowledge of all relevant facts as capable of exercising objective and impartial judgement on all issues within the external auditor's engagement
  - in the two years before commencing the engagement, has not had Chorus' CEO, CFO, or Financial Controller on its audit engagement team, and
  - does not allow direct compensation of its audit partners for selling Other Services to Chorus.
4. Chorus' external auditors are expected to comply with their own internal independence policies and all relevant professional policies and guidance.

## Audit Services

5. The ARMC must approve all Audit Services provided by Chorus' external auditor.

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### Other Services

6. The following general principles apply in assessing which Other Services Chorus' external auditors may provide:
  - The external auditor should not be involved in producing financial information or preparing financial statements where, when providing Audit Services, this could be seen as auditing their own work. This includes providing valuations fed into audited financial information.
  - The external auditor should not perform any management function or be responsible for making management decisions.
  - The external auditor should not be responsible for the design or implementation of financial information systems.
  - Separation between internal and external audit should be maintained.
  - The services must not compromise, and not be perceived as compromising, the external auditor's independence.

### Permitted services

7. Chorus' external auditors may provide the following Other Services, with the ARMC's approval:
  - assurance services, other than those provided by internal audit
  - accounting policy advice, including opinions on compliance with New Zealand and international accounting practice
  - listing advice
  - accounting/technical training, and
  - tax compliance.

### Prohibited services

8. Chorus' external auditors must not provide:
  - bookkeeping or other services related to accounting records or financial statements
  - financial information systems design services
  - appraisal/valuation services or opinions as to fairness
  - internal audit services
  - structured finance advice
  - due diligence services in relation to potential merger/acquisition activity
  - legal advice
  - tax planning and strategy services

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- management functions
  - broker/dealer/investment adviser/investment banking services
  - expert services as an advocate
  - actuarial services
  - temporary staff for assignments in relation to prohibited services, or
  - assistance in recruiting senior management.
9. These prohibitions apply to all offices of the external auditors' firm, including overseas offices and affiliates.
10. The CFO will monitor developments in New Zealand and overseas with regard to Other Services to ensure this policy reflects current practice.

### Annual Confirmation & Rotation

11. The ARMC must confirm the appointment of Chorus' external auditors annually. Regular audit firm rotation is not mandated.
12. Chorus' client service partner and lead/engagement partner will rotate at least every five years with a five year cooling-off period.
13. All other audit partners will rotate every seven years with a minimum two year cooling-off period.
14. Audit partner rotation will be reported to the ARMC annually.

### Fees

15. The services provided by, and the fees paid to, Chorus' external auditors will be reported to the ARMC every six months.
16. Although this policy does not prescribe a specific ratio, the ARMC will monitor how Financial Statement Audit Services fees compare to other fees.
17. Services provided by Chorus' external auditors should not include any contingent fees (e.g. success fees if a transaction proceeds).

### Hiring External Auditor Personnel

18. The ARMC Chair must approve the hiring of any former audit partner or audit manager. There are no other restrictions on hiring other external audit personnel.

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### Accountabilities

19. The ARMC Chair and CFO have overall responsibility for meeting the requirements of this policy.

### Definitions

20. In this policy:

- **Audit Services** are:
  - *Financial Statement Audit Services*: services provided in the audit or review of Chorus' financial statements, and
  - *Regulatory Audit Services*: services provided in respect of Chorus' Information Disclosure obligations, Telecommunications Service Obligations (TSO) and the Telecommunications Development Levy (TDL).
- **Other Services** are all other services.

### Ownership and Review

<b>Reviewer:</b>	Audit and Risk Management Committee
<b>Ownership:</b>	Chief Financial Officer
<b>Review:</b>	At least every 2 years