

AFT PHARMACEUTICALS LIMITED

(AFT Pharmaceuticals)

Auditor Independence Policy

1. Background

Oversight of AFT Pharmaceuticals' external audit arrangements is the responsibility of AFT Pharmaceuticals' Audit and Risk Committee. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. This formal policy on audit independence has been adopted by the committee to meet this requirement.

This policy covers the following areas:

- provision of related assurance services by AFT Pharmaceuticals' external auditors;
- auditor rotation;
- relationships between the auditor and AFT Pharmaceuticals; and
- approval of Auditor.

The Audit and Risk Committee shall only approve a firm to be auditor if that firm would be regarded by a reasonable investor with full knowledge of all relevant facts and circumstances as capable of exercising objective and impartial judgment on all issues encompassed within the auditor's engagement.

2. Responsibilities of the external auditor

The external auditors shall annually confirm their compliance with professional standards and ethical guidelines of Chartered Accountants Australia and New Zealand to evidence their competence.

3. Auditor rotation

The continued appointment of AFT Pharmaceuticals' external auditors is to be confirmed annually by the Audit and Risk Committee.

Rotation of AFT Pharmaceuticals' client service partner and the lead and concurring audit partners of AFT Pharmaceuticals and its subsidiaries will be required every five years with suitable succession planning to ensure consistency.

4. Provision of non-audit services by AFT Pharmaceuticals' external auditors

The guidelines that follow are designed to ensure that related assurance services provided by AFT Pharmaceuticals' auditors do not impair (and are not perceived as impairing) the independent role of the auditor.

The general principles to be applied in assessing related assurance services are as follows:

- The external auditors 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.

- The external auditors should not perform any function of management or be responsible for making management decisions.
- The external auditors should not be responsible for the design or implementation of financial information systems.
- The separation between internal and external audit should be maintained.

5. **Services permitted to be performed**

The Audit and Risk Committee must pre-approve all audit and related assurance services provided by the external auditors.

Aside from core audit services AFT Pharmaceuticals' external auditors may provide the following services with prior approval from the Audit and Risk Committee:

- accounting policy advice;
- advice on interpretation and application of Inland Revenue taxation policies;
- accounting technical training;
- other assurance services including audit of existing company systems and processes;
- advice on structuring or pricing of any deal, asset or company acquisition;
- due diligence activities; and
- advice that has a significant impact on the value of material asset or liability.

6. **Services not permitted**

It is not considered appropriate for AFT Pharmaceuticals' external auditors to provide:

- design and implementation of key financial information systems and processes;
- valuation of assets and liabilities other than as required to complete regulatory audit requirements;
- liquidations and receiverships;
- services related to accounting records or financial statements;
- tax planning, strategy and compliance services;
- broker, dealer, investment adviser, investment banking services; and
- legal services.

7. **Information to be provided by external auditors**

The external auditors are to provide the following assurances annually:

- the total fees received by the external auditors from AFT Pharmaceuticals do not have a material impact on their operations or financial condition;
- AFT Pharmaceuticals has not withheld fees from the external auditors;

- there is no litigation between AFT Pharmaceuticals and the external auditors; and
- there are no business relationships between AFT Pharmaceuticals and their external auditors beyond the provision of external audit services or approved services provided pursuant to this policy.

8. **Billing arrangements**

The billing arrangements for services provided by AFT Pharmaceuticals' external auditors should not include any contingent fees (e.g. where a success fee is paid depending upon whether a transaction proceeds or not).

9. **Other procedural requirements**

Regardless of AFT Pharmaceuticals' policies it is expected that AFT Pharmaceuticals' external auditors will rigorously comply with their own internal policies on independence and all relevant professional guidance (including independence rules and guidance issues by Chartered Accountants Australia and New Zealand, the NZX, the Financial Markets Authority and other relevant overseas accounting bodies).

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

Last updated: 22 February 2017

Last reviewed: 22 February 2017