



# Policy

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## **Auditor Independence Policy**

**AGL Energy Limited**

**This Policy relates to:**

All AGL Employees

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## 1. Purpose

The Auditor Independence Policy (the Policy) provides guidance on the provision of external audit services for AGL Energy Limited and its subsidiaries (the Group).

The Policy should be read in conjunction with the Audit & Risk Management Committee (ARMC) Charter, which outlines the responsibilities of the ARMC in regards to the provision of audit services.

The AGL Board recognises that the ultimate responsibility for the integrity of the Company's financial reporting lies with the full Board. The Board, via the ARMC, 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 ARMC should consider in relation to the provision of external audit services and their interaction with perceived and actual auditor independence.

## 2. Appointment and Removal of the External Auditor

The ARMC has been empowered to recommend to the Board the appointment and termination of the external auditor.

If the role of external auditor becomes vacant, or if the ARMC otherwise considers it appropriate to do so, the ARMC will conduct a formal, selective 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, knowledge, and reputation of the proposed external audit team;
- Independence of the external audit firm and more specifically the audit partner in relation to AGL;
- Understanding of the industry;
- Quality and thoroughness of proposed audit coverage; and
- Value for money.

## 3. Performance of Auditor

The ARMC, in accordance with its charter, reviews the performance of the external auditor on an annual basis. In reviewing the performance of the external auditor, the ARMC 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.

Where the performance of the external auditor is assessed as being unsatisfactory, the ARMC 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; and/or
- Commencement of a competitive tender process in order to select a new service provider.

## 4. Auditor Independence

The ARMC will review the independence of the external auditor semi-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 external audit services to AGL will need to satisfy the ARMC that:

- No other services will be provided that will result in a conflict of interest;
- No partner of the firm or any of their immediate family members, audit team member or any of their immediate family members or superannuation fund of the firm holds any shares or options, either directly or indirectly, in AGL or its controlled entities;
- Any services provided by the firm additional to that of the external audit would not have a material bearing on the external audit and would not create a risk of self-review;
- The firm has an appropriate and agreed audit personnel rotation policy including lead and signing partners;
- No partner or member of staff of the external audit firm or spouse or close relative of an audit partner or member of the audit staff holds a position as a director or executive of AGL or its controlled entities; and
- There will be no situations where the auditor assumes the role or responsibilities of management or where the auditor is placed in the role of advocate for AGL.

Attachment A of this Policy highlights those services that are permitted and those that are prohibited.

Half yearly reports on the provision of auditing, audit-related and other services are provided to the ARMC. The ARMC reviews these reports and satisfies itself that services not related to the audit do not compromise the external auditor independence.

## 5. Provision of Non-Audit Related Services

The external auditor can be engaged to perform audit, other regulatory and assurance services or other services in line with the permitted services as detailed in Attachment A of this Policy subject to the prior approval.

In the case of Permitted Services requiring General Approval (refer to Attachment A), the Chief Financial Officer is delegated authority to provide such approval up to the value of \$500,000 (exclusive of GST) in aggregate in a financial year. The threshold excludes assurance services included in the annual fee letter. Any such approvals are to be advised to the Chair of the ARMC prior to the commencement service.

For Permitted Services requiring Specific Approval (refer to Attachment A), the external audit firm must only be considered to perform such services where there is specific expertise, know-how or company knowledge, which provides a compelling benefit to AGL through their appointment. Specific approval from the Chair of the ARMC is required by following the below process:

- the AGL employee, with input from the external auditor, will complete the External Audit Firm Service Request Form (Attachment B) which includes an explanation on why the proposed services are not prohibited, and all threats identified are at an acceptable level, or safeguards have been applied to eliminate the threats or reduce them to an acceptable level; and
- the AGL employee informs the Chief Financial Officer and the Chair of the ARMC of the business case and the external audit firm's independence assessment; and
- the AGL employee is required to obtain approval from the Chair of the ARMC; and
- the Chair's approval is to be advised to the ARMC through the semi-annual audit fees report.

Pre-approval by the Chief Financial Officer or the Chair of the ARMC of services provided by the external auditor, regardless of classification in Attachment A of this Policy, must be obtained prior to work commencing.

## 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 audit firm semi-annually provides a letter to the Company Secretary on their independence within the meaning of relevant legislation and professional standards. For Permitted Services requiring Specific Approval, the external audit firm is required to provide details of their independence assessment to the Chair of the ARMC and the Chair's approval is required prior to work commencing as detailed in section 5 above.

## 7. Review of this Policy

This Policy is reviewed every two years or earlier if there is a material change in legislation, regulations and relevant codes and standards. It shall be reviewed by AGL's Audit and Risk Management Committee and any changes approved by the AGL Board.

# Attachment A: Permitted and Prohibited Services from External Auditor

The Permitted and Prohibited Services listed in this attachment is in line with guidance from external audit firms and/or Accounting Professional & Ethical Standards Board.

## 1. Permitted Services – General Approval

### 1.1. Audit Services

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

### 1.2. Other regulatory and assurance services

Regulatory and Assurance related services:

- Services that result from the role of the firm as independent auditor;
- Compliance letters, agreed-upon procedures, reviews and similar reports based on audited financial statements, financial information or the role of the independent auditor;
- Acting as scrutineer at general meetings of the company;
- Assistance in the implementation of new accounting pronouncements;
- Provision of training and technical material in relation to application of accounting principles; and
- Assurance services relating to ESG standards and frameworks

### 1.3. Other Services

Tax related services:

- Tax return and tax accrual reviews, consultations and assistance; and
- Tax planning and other consultation or services not related to compliance.

Other services:

- Assistance in reviews and tests of internal control and related systems including reviews of tax controls and governance; and
- Assessment of the design and implementation of internal controls.
- Preparation of Investigating Accountant's Reports

## 2. Permitted Services – Specific Approval

Consulting and Advisory services:

- Transactional assistance, such as due diligence
- Providing advice and recommendations regarding the company's information technology infrastructure and data security
- Design and implement IT systems unrelated to internal control over financial reporting and do not generate financial information

Tax services:

- Research and development tax credit documentation and analysis
- Technical, planning, and other assistance with transfer pricing issues
- Assistance with requests for technical advice from taxing authorities
- Assistance regarding tax issues with respect to acquisitions, disposals and restructurings, including due diligence on potential acquisition targets, ruling requests and meetings with tax authorities
- Tax advice related to an intra-group restructuring

ESG (Environmental, sustainability, Governance) services:

- Readiness assessments (including advice and recommendations on improving reporting governance and accountability structures, existing ESG process and disclosure control, implementation of new processes and controls, readiness for external assurance, and integrating ESG into internal audit plan, as well as gap assessments)

Permitted Services - Specific Approvals process is to be followed for any other services not in the Permitted Services – General Approvals list or the Prohibited Services list.

## 3. Prohibited Services

- Bookkeeping or other similar services related to the accounting records or financial statements of the audit client;
- Financial information systems design and implementation;
- Appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
- Actuarial services;
- Internal audit outsourcing services;
- Management functions or human resources;
- Broker or dealer, investment adviser, or investment banking services;
- Legal services and expert services unrelated to the audit; and
- Any other service that the Board determines (by regulation or for other reasons) is impermissible.

## Attachment B: External Audit Firm – Service Request Form

As noted in section 5 above, this form should include input from the external audit firm explaining why the proposed services are not prohibited, and assessment that all threats identified are at an acceptable level, or safeguards have been applied to eliminate the threats or reduce them to an acceptable level.

Name and job title of the AGL Employee requesting the service	
Describe the relevant service	
Estimated service fee	
Expected commencement date	
Why has the external audit firm been selected as the service provider?	
Is the service on the Prohibited Services list?	
Is the service assurance or non-assurance in nature?	
Does the service require General or Specific approval?	
What threats to auditor independence have been identified?	
What safe guards (if any) are in place to eliminate or reduce the threat to an acceptable level?	
Approval from the Chief Financial Officer	
Approval from the Chair of the ARMC (if required)	