

# External Audit Independence Policy

## 1. Objective

The objective of this policy is to ensure that Trade Me has external audit independence in line with best practice to ensure reliable and credible financial reporting.

## 2. Statement of Purpose

This policy defines the services that may or may not normally be performed by Trade Me's external auditors, and the responsibilities of both parties. This policy complements the Audit and Risk Management Committee (A&RMC) Charter which specifies the relevant A&RMC responsibilities as including:

- Providing assistance to the Board in exercising due care in relation to the oversight of the integrity of external financial reporting,
- Overseeing and monitoring the performance of the external auditor,
- Assessing the external auditor's independence and qualifications and ensuring that the external auditor's independence is maintained, and to
- Act as a formal forum for free and open communication between the Board and the external auditors and management.

## 3. Appointment of the External Auditor

The Trade Me Board will only appoint an external auditor if that audit firm:

- 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 auditor's engagement;
- Annually confirms their compliance with professional standards and ethical guidelines of the Institute of Chartered Accountants of New Zealand, to evidence their competence.
- Ensures their staff do not work on any reporting engagement for Trade Me during, and in the two years after work in a temporary, permanent or contract position with Trade Me.
- Monitors its independence and reports to the Trade Me A&RMC biannually that it has remained independent during the previous six months, in accordance with this policy, its firm's policies and professional requirements.
- Does not allow the direct compensation of its audit partners for selling non-audit services to Trade Me, and
- Commits to rotate their senior audit partner and review partner for Trade Me at least every five years with a suitable cooling down period before coming back to Trade Me, and suitable succession planning to ensure continuity.

## 4. Responsibilities of Trade Me

To ensure audit quality at Trade Me and to allow for an effective audit service by suitably qualified professionals, Trade Me commits to:

- Facilitating a high quality audit for which payment at fair commercial rates will be made. These fees will be reviewed by the A&RMC and approved by the Board.

- A Report to be provided from management to the Trade Me A&RMC on a six monthly basis detailing the level of fees paid to the external auditor differentiating between audit and non-audit services.
- Not hiring any current or former audit partner or audit manager without the explicit approval of the Chair of the A&RMC.
- Ensuring that no unreasonable restrictions are placed on the external auditors by the Board or Trade Me's Management. To enable the A&RMC to monitor this requirement the external auditors will report to the A&RMC in writing, at the same time as it reports in respect of its independence, as to whether this requirement has in the external auditor's opinion been satisfied during the previous six months; and
- Providing a formal and transparent procedure for sustaining communication with the external auditors.

## 5. Responsibilities of the External Auditor

The Trade Me A&RMC will require the external auditor to confirm annually that it has complied with all professional regulations relating to auditor competency and independence. Explicitly, the external auditor will be required to confirm its commitment to strict procedures as follows:

- The external auditor, its partners and staff do not have any financial interest in Trade Me other than as a standard member of Trade Me potentially with funds in a Trade Me member account (held in bare trust).
- There are no business relationships between Trade Me and the external auditor, beyond the provision of external audit services or approved services provided in line with this policy.
- There are no immediate family or personal relationships between members of the audit team, and either Trade Me directors or employees who can exert significant influence over the preparation of the financial statements.
- No fee paid by Trade Me to the external auditor is paid on a contingency basis; and
- Fees for consultancy services provided by the external auditor do not exceed the fees paid for the core audit services at the half year and full year audit (unless explicitly approved by the Chair of the A&RMC).

## 6. Provision of non-audit services by Trade Me's external auditor

Trade Me has adopted the following guidelines to ensure that related services provided by Trade Me's external auditors are not perceived as conflicting with the independent role of the auditor. The general principles to be applied in assessing related services are as follows:

- The external auditor may 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 valuation services where such valuation forms an input into audited financial information;
- The external auditor may not perform any function of management, or be responsible for making management decisions;
- The external auditor may not be responsible for the design or implementation of financial information systems;
- The separation between internal and external audit should be maintained.

## 7. Services which can be performed by the External Auditor

Examples of work which can be performed by the external auditor include:

- Financial audits, both of financial statements and existing company systems and processes
- Audits of regulatory requirements
- Advice on appropriate accounting standards, policy and the interpretation and application thereof
- Due diligence services
- Technical training and best practice updates, and
- Other preapproved services not listed below

## 8. Services which cannot be performed by the External Auditor

No work will be approved in the following areas:

- Accounting, bookkeeping services, payroll services and the preparation of financial statements
- Design and implementation of key financial information systems and processes
- Valuation of assets and liabilities that are material to the financial statements
- Corporate finance or investment banking type services
- Liquidations and receiverships
- Undertaking any work in relation to the preparation of financial statements or accounting records
- Management functions
- Serving as a director or officer of Trade Me
- Secondments of staff
- Tax computations
- Tax planning and strategy development
- Internal audit services
- Assistance in the recruitment of senior management, and
- Legal services

Where not specifically addressed in 7 or 8 above, or where a variation to this policy is sought, the Chair of the A&RMC is to be consulted, and cannot be pursued unless the express permission is subsequently provided by the Chair.

## 9. Application

This policy applies to the external audit firm providing Audit services to Trade Me.

Approval:

By: Board of Directors

Date:

Next review date: No later than June 2017

*Trade Me Limited reserves the right to amend, update or withdraw its Audit Independence policy without prior notice.*