



# NON-AUDIT SERVICES PROVIDED BY THE INDEPENDENT EXTERNAL AUDITORS

MIRVAC GROUP

## CONTENT

<b>1.0 INTRODUCTION</b>	<b>3</b>
<b>2.0 PURPOSE</b>	<b>3</b>
<b>3.0 AUDIT SERVICE FEES</b>	<b>3</b>
<b>4.0 PROHIBITED SERVICES</b>	<b>4</b>
<b>5.0 APPROVAL PROCESS</b>	<b>4</b>
<b>6.0 MONITORING AND REPORTING</b>	<b>6</b>
<b>7.0 APPROVED &amp; AUTHORISED</b>	<b>7</b>

## 1.0 INTRODUCTION

The Audit, Risk & Compliance Committee (“Committee”) is responsible for reviewing and recommending to the Boards of Mirvac Limited (including its controlled entities) and Mirvac Funds Limited (including its controlled entities), (together “the Board” for collectively “the Group”) the appointment, terms of engagement, remuneration and removal of the external auditor. The Committee is also responsible for monitoring and evaluating the independence of the external auditor on a regular basis which includes:

- compliance and oversight of the Group’s policy on the engagement of the external auditor to supply non-audit services.

## 2.0 PURPOSE

The purpose of this policy is to establish guidelines so that the Group complies with applicable laws, accounting standards, Committee Charter and best practice with regard to the independence of external auditors.

## 3.0 AUDIT SERVICE FEES

For classification purposes, Mirvac’s audit and other audit related or assurance service fees are classified as audit service fees. This classification is used in the remuneration of auditor’s disclosure in the financial statements.

### *Audit Service Fees*

If fees are incurred in relation to the following services, they are classified as audit service fees.

- An audit opinion or review opinion provided in accordance with work performed over a set of financial statements. Examples are fees charged for work performed on the audit/review of the year-end and half year-end financial statements for the Group and its subsidiaries or related entities.
- An audit opinion or review opinion provided that relates to information other than the financial statements (under legislation/regulation or for other purposes). Examples are audits performed for AFSL licences, investment property outgoing expense audits, compliance audits and green building fund grant audits.
- Work performed by the auditor to provide some other form of assurance over financial information in the Group. For example, review of Net Tangible Asset calculation, comfort letter in relation to transaction or accounting treatment or internal control assessment.
- Accounting advice in relation to issues that will be subject to audit.

#### 4.0 PROHIBITED SERVICES

The external auditor may not provide any 'prohibited non-audit services' to the Group. 'Prohibited non-audit services' are any services that, if provided by the external auditor to the Group, would create a real or perceived threat to the independence of the external auditor.

##### *Non-Audit Service Fees*

Any other fees incurred outside of the types of fees outlined above in section 3 are considered as non-audit service fees. Examples of such fees include taxation services, advisory services to aid the Group's administrative or decision making process, accounting advice and due diligence on possible acquisitions, benchmarking services or legal services.

The external auditor cannot be engaged to undertake any non-audit services for the Group that results in the external auditor:

- creating a mutual or conflicting interest within the Group;
- auditing their own work;
- acting in a management capacity or as an employee of the Group;
- providing appraisal or valuation and fairness opinions;
- performing internal audit services; or
- acting as an advocate for the Group.

Each fee must be considered in light of the individual circumstances. If a business unit seeks to engage Mirvac's external auditors for services and cannot clearly determine whether the services are deemed audit or non-audit service, guidance should be obtained from the Chief Financial Officer (CFO) or the Group Financial Controller (GFC).

#### 5.0 APPROVAL PROCESS

Who can approve an engagement?

The prior written approval of the Chair of the Committee (and, in the cases of work to be performed for Mirvac Responsible Entity/Trustee Boards on behalf of a trust that they manage other than Mirvac Funds Limited, supported by the Chair of the relevant Responsible Entity/Trustee Board) must be obtained before the external auditor can be engaged to perform non-audit services for the Group where:

- the fee for the particular engagement exceeds \$100,000; or
- the fees for a particular engagement which was originally below \$100,000, will exceed on a cumulative basis \$100,000; or
- the annual fees for all non-audit services exceed, or are likely to exceed, 50% of the auditor's annual audit fees.

The engagement of the external auditor for the performance of non-audit services that are below the above amounts may be approved in writing by the Managing Director/Chief Executive Officer (MD/CEO) or the Chief Financial Officer.

Immediately upon determining that the external auditor has been engaged to perform non-audit services for the Group which is for an amount exceeding \$100,000 and which has not been presented to the Chair of the Committee for approval, then such engagement is to be presented to the Chair of the Committee for approval together with an explanation as to why such approval was not initially sought. The Chair of the Committee in his/her sole discretion may decide that it is in the interests of the Group for such engagement to be immediately cancelled.

### **Matters to be considered**

The MD/CEO, the CFO, or the Chair of the Committee (as the case may be) must not approve the engagement of the external auditor to perform prohibited non-audit services or any non-audit services where they are of the view that the engagement would:

- give rise to a 'self review threat' (as defined in APES 110); or
- create a conflict or perceived conflict of interest for the auditor or any member of the audit team.

In assessing a request for non-audit services, the MD/CEO, the CFO or the Chair of the Committee (as the case may be) must also give consideration to:

- the nature of the service to be provided;
- the dollar value and period of the proposed engagement;
- the availability of alternate service providers and the reasoning for recommending the external auditor;
- the audit firm's self assessment of its independence risk, including safeguards to mitigate perceived risks; and
- any other circumstances relevant to the engagement.

In addition to the considerations set out above, in determining who should be engaged to provide non-audit services, the MD/CEO, the CFO, or the Chair of the Committee (as the case may be) should also be conscious of the need to ensure that more than one firm has a deep knowledge of the Group's business so that, should the need arise to engage a firm other than the Group's external auditor (for example, where a conflict arises), there are other firms that will be in a position to undertake the assignment.

These services may include:

- risk and fraud consulting;
- design, execution, and assistance with cost reduction and business improvement;
- assistance with corporate restructuring; and
- due diligence on potential acquisitions.

In addition to the taxation services already provided by our auditors, senior management is to encourage the allocation of assignments in the taxation area to a range of firms, to ensure that we have an appropriate choice of service providers who are not only competent in their area but also have an understanding of the Group's business.

The MD/CEO, CFO and /or the Chair of the Committee may therefore determine that it is more appropriate for certain assignments to be undertaken by firms other than the external auditor notwithstanding the fact that the assignment does not involve the provision of prohibited non-audit services.

## 6.0 MONITORING AND REPORTING

### Management and Auditor

Management and the auditor will provide reports to the Committee regarding:

- any non-audit services that have been provided by the auditor during the relevant period; and
- the amounts paid to the auditor for those services,

together with comparative information for prior years.

For each of the non-audit services reported on, the report must identify whether the service is one that:

- is normally performed by external auditors;
- is commercially sensible for the external auditors to perform; or
- could be performed by any suitably qualified firm.

### External Auditor

The external auditor will provide the Committee with annual and half yearly certifications of their continued independence in accordance with the requirements of the Corporations Act 2001 (Cth), and, in particular, confirming that they have not carried out any engagements during the year that would impair their professional independence as auditor, as contemplated by APES 110.

### Committee

Internal Audit will monitor whether this policy is being complied with and periodically report to the Committee as to compliance. Internal Audit must promptly report any breach of this policy to the Chair of the Committee.

The Committee must provide a report to the Board with respect to the non-audit services provided by the external auditor during the year. The report must include:

- the amounts paid or payable to the external auditor for non-audit services provided during the year; and
- a statement as to whether the Committee is satisfied that the provision of those services during the year is compatible with the general standard of independence for auditors and their reasons for this.

## Reporting

Statements will be included in the Group's Annual Report with respect to each of the following:

- the fees paid to the external auditor for the non-audit services undertaken during the relevant financial year;
- whether the Committee is satisfied that the provision of the non-audit services was compatible with the external auditor's independence; and
- whether the Board is satisfied that the provision of the non-audit services was compatible with the general standard of independence as imposed under the Corporations Act 2001 (Cth) and their reasons for this.

Joint ventures are not part of the consolidated Group, determination of the auditors should be agreed with the joint venture partner, and these fees are not disclosed as part of the Group's Annual Report.

## 7.0 APPROVED & AUTHORISED

This policy was approved and adopted by the Mirvac Executive Leadership Team on 29 April, 2013:

**DATE:** \_\_\_\_\_

**SIGNED:** \_\_\_\_\_

Chair of the Executive Leadership Team