

Fisher & Paykel Appliances Holdings Limited (“FPAHL”)

Auditor Independence Policy

A INTENT & PURPOSE

The objective of this policy is to ensure that audit independence is maintained, both in fact and appearance, such that FPAHL external financial reporting is viewed as being highly reliable and credible.

The purpose of this Policy is to provide direction as to the professional services which may be provided by the external auditors and those which are not permitted.

Oversight of FPAHL’s external audit arrangements is the responsibility of the Audit and Risk Management Committee. Ensuring that external audit independence is maintained is one of the key aspects in discharging this responsibility. This policy on audit independence has been adopted by the Board to meet this requirement.

This policy applies to all operations and subsidiaries of FPAHL.

B POLICY

Overall, the FPAHL External Auditor is engaged for the purpose of providing an independent opinion on the truth and fairness of the company’s financial statements. All other services are considered additional to this primary role and are subject to approval by the Audit and Risk Management Committee.

The principles of independence of this Policy with respect to services provided by auditors are largely based on three basic principles, which if violated, would impair the auditor’s independence:

- an auditor cannot function in the role of management
- an auditor cannot audit his or her own work
- an auditor cannot serve in a formal advocacy role (as barrister or solicitor) for his or her client.

Based on the corporate governance structure already established within FPAHL, consideration of the NZICA Code of Ethics guidelines and guidelines issued by NZX and the NZ Securities Commission, together with recognition of the requirements of SEC rules, an independence policy has been developed covering the following areas:

1. Approved auditor
2. Provision of services by external auditors
3. Auditor rotation.

1. Approved auditor

The Board 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 judgement on all issues encompassed within the auditor’s engagement
- has not, within two years prior to the commencement of the audit, had as a member of its audit engagement team, FPAHL’s Chief Executive Officer, Chief Financial Officer, or any member of FPAHL’s subsidiary management who act in a financial oversight role
- does not directly compensate its audit partners for selling non-audit services.

The procedures for the selection and appointment of the Company’s external auditor is based on the following framework:

1. the Company’s external auditor is reappointed every year at the Annual Shareholders’ Meeting unless:
 - a. the Company’s external auditor ceases to be qualified for appointment; or

- b. the Company proposes and the Shareholders pass a resolution at the meeting appointing another person to replace him or her as external auditor; or
- c. the auditor has given notice to the Company that he or she does not wish to be reappointed.

In the case of a. and c., the Company will appoint a new external auditor at the relevant Annual Shareholders' Meeting in accordance with the Companies Act 1993.

- 2. the Company's Audit & Risk Management Committee is responsible for:
 - a. monitoring the performance, and independence, of the Company's external auditors; and
 - b. implementing a selection process and making a recommendation to the Board, if required.

The assessment of responses from potential external auditors takes into account a number of key criteria, including audit approach and methodology, internal governance processes, global resources, commitment to a code of ethics, operating to best practice, key personal and cost.

Once the review process has taken place the Audit & Risk Management Committee provides the Board with information concerning the process adopted in undertaking the review, the recommended external auditor and the reasons for the final recommendation.

2. Provision of services by external auditors

The guidelines that follow are designed to ensure that related assurance and other services provided by FPAHL's auditors are not perceived as conflicting with the independent role of the auditor.

The general principles to be applied in assessing the acceptability of related assurance and other services are as follows:

- the external auditor 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 auditor should not perform any function of management, or be responsible for making management decisions.

There are three categories into which services may be classified:

1. Services that are **permitted**
2. Services that are permitted but only with the **prior approval** of the Chairman of the Audit Committee given the nature, potential quantum and complexity of the service.
3. Services that are **not permitted**.

To avoid confusion a listing of services together with illustrative examples is set out below.

Where not specifically addressed, where unclear, or where a variation to this Policy is sought, the Chairman of the Audit Committee must be consulted.

Service	Permitted	Permitted but requires pre-approval	Not permitted
<i>Statutory audits</i> Audit of the Group, Parent and subsidiary financial statements of FPAHL.	✓		
<i>Review engagements</i> Negative assurance in relation to financial statements of FPAHL and any other review engagements.	✓		

Service	Permitted	Permitted but requires pre-approval	Not permitted
Accounting advice General advice regarding accounting treatments.		✓	
Other attest services Provision of opinions (other than audit or review) with respect to financial or non-financial information. Reporting engagements to third parties (e.g. prospectus reports). Providing independent assurance to the Board with respect to a valuation.		✓	
Taxation services Assistance and advice with respect to the preparation and review of the returns of income and other taxes in NZ and overseas jurisdictions. Assistance with IRD queries, requests for information, investigations and audits.		✓	
Internal Controls and Systems assurance Assurance provided over internal controls including IT internal controls.		✓	
Forensic accounting / suspicious transaction analysis The provision of forensic accounting and IT services supporting fraud or related investigation activities.		✓	
Secondments Supplementation of FPAHL resource to achieve project outcomes.		✓	
Staff hiring Hiring by FPAHL - a former partner, principal, or professional employee of the External Auditor (manager or above). Hiring by the External Auditor - a current or former officer, director or employee of the Group.		✓	
Expert witness Acting as an expert witness to support litigation.		✓	
Actuarial services – non-material amounts Any actuarially-oriented advisory service involving the determination of <i>non-material amounts</i> recorded in the financial statements and related accounts including assisting in understanding the methods, models, assumptions, and inputs used in computing an amount.		✓	

Service	Permitted	Permitted but requires pre-approval	Not permitted
<p><i>Due diligence – Buyside and sellside</i> Assistance with financial due diligence and the provision of other services (other than on a contingency fee basis) performed on potential acquisition targets (buyside) or divestments (sellside).</p>			x
<p><i>Internal audit assistance</i> Internal audit resource provided, (e.g. risk management, specialist treasury or IT resource), under the direct supervision of an internal audit manager or senior FPAHL management.</p>			x
<p><i>Internal audit outsourcing</i> The provision of any internal audit service that has been outsourced by FPAHL that relates to FPAHL's internal accounting controls, financial systems or financial statements. (Refer also Internal Controls and Systems Assurance)</p>			x
<p><i>Bookkeeping or other services related to the accounting records or financial statements</i> Maintaining or preparation of FPAHL accounting records. Preparing or originating source data underlying FPAHL's financial statements.</p>			x
<p><i>Financial information systems design and implementation</i> Directly or indirectly operating, or supervising the operation of, FPAHL's information systems or managing FPAHL's local area network. Designing or implementing a hardware or software system that aggregates source data underlying the financial statements or generates information that is significant to FPAHL's financial statements or other financial information systems as a whole.</p>			x
<p><i>Valuations</i> The preparation of valuations of assets and liabilities recognised directly in the financial statements.</p>			x
<p><i>Actuarial services – material amounts</i> Any actuarially-oriented advisory service involving the determination of amounts recorded in the financial statements and related accounts (other than assisting in understanding the methods, models, assumptions, and inputs used in computing an amount).</p>			x

Service	Permitted	Permitted but requires pre-approval	Not permitted
<p><i>Legal services</i></p> <p>The provision of any service to FPAHL by the audit firm that could be only provided by someone licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is provided.</p>			x
<p><i>Human resource services</i></p> <p>Searching for or seeking out prospective candidates for managerial, executive or director positions.</p> <p>Engaging in formal testing or evaluation programmes.</p> <p>Undertaking reference checks of prospective candidates for an executive or director position.</p> <p>Acting as a negotiator on FPAHL's behalf.</p>			x

3. Auditor rotation

The continued appointment of FPAHL's external auditors is to be confirmed annually by the Audit and Risk Management Committee as part of its role in monitoring the performance, and independence, of the Company's external auditors. Formal reappointment is completed at the Annual Shareholders Meeting.

Rotation of the audit signing partner of FPAHL will be required every five years. Those partners will be subject to a two year cooling-off period following rotation.

C ACCOUNTABILITIES

The Chairman of the Audit and Risk Management Committee, the FPAHL Chief Financial Officer (CFO) and audit signing partner have overall responsibility for meeting the requirements of this policy.

D MEASUREMENT & REPORTING CRITERIA

Prior to the engagement of FPAHL's external auditors for the provision of services, approval must be obtained from the CEO/CFO for "Permitted" Services and/or the Audit and Risk Management Committee (where required), and where the non-audit fee ratio would potentially exceed 1:1.

Self certification of external auditor compliance with the policy and all independence requirements is to be reported to the Audit and Risk Management Committee annually.

The external auditors are required to advise of all audit and non-audit fee information to the Audit and Risk Management Committee annually.

E APPROVAL

Approved by the FPAHL Limited Board of Directors on 25 March 2011.