Toll Holdings Limited
Audit Independence Policy

(Extract from the Audit and Financial Risk Committee Charter)
Adopted by the Board 25 August 2010
ACN 006 592 089

External Audit Policy

Appointment

The Audit and Financial Risk Committee (**Committee**) has the responsibility and authority (subject to *Corporations Act 2001* (Cth) requirements) for the appointment, reappointment or replacement and remuneration of the external auditor as well as evaluating its effectiveness and independence. The Committee will review the appointment of the external auditor annually based on its assessment of the auditor's performance.

Assessment of External Auditor

The Committee will review the performance of the external auditor on an annual basis after completion of the year end audit. In evaluating the effectiveness of external audit, the Committee will assess the effectiveness of the external auditor based on a number of criteria including but not restricted to:

- the overall comprehensiveness of the external audit plan;
- the timeliness and quality of communications promised under the plan and delivered during the audit;
- the competency and industry knowledge of external audit staff; and
- the adequacy of resources to achieve the scope as outlined in the plan.

The Committee will seek feedback from management during the assessment process.

Independence

The Committee will review and assess the independence of the external auditor, including but not limited to any relationships with the Company or any other entity that may impair or appear to impair the external auditor's judgement or independence in respect of the Company. The review and assessment will be carried out annually at the time the external auditor presents its annual audit plan.

Prior to this review, the Committee will request a report from the external auditor which sets out all relationships that may affect its independence, including the provision of non audit services, financial relationships, employment and other relationships and any other matters that may reasonably be thought to have bearing on the external auditor's independence. The report should outline any safeguards that the external auditor has in place to reduce any threat to independence to an acceptable level.

Before the Directors approve the half year and full year accounts, the external auditor will be asked to provide a declaration testifying to its independence in respect of the financial period in question. The external auditor will have a continuing obligation to notify the Committee, via the Company Secretary, of any new information it believes may be material to reviewing its independence.

The Committee has responsibility to develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non audit services and to ensure compliance with that policy.

Rotation of External Audit Engagement Partner

The external audit engagement partner is required to rotate at least once every 5 years.

Policy on non-audit services provided by the independent external auditors

Role of the Committee

The Audit and Financial Risk Committee (the **Committee**) is responsible for the development and oversight of the Company's policy on the engagement of the external auditor to supply non audit services and ensure compliance with the policy.

What are non audit services?

'Non audit services' means any services provided by the external auditor which are not included in, or are not necessarily incidental to, the terms of the audit engagement.

These include audit related services such as:
- Financial audits
- Audits or reviews undertaken for regulatory purposes (eg Workers Compensation)
- Other audits or reviews
- Completion audits
- Tax compliance and advisory services
- Advice on accounting standards
- Purchase and vendor due diligence in M&A including advice on tax and deal structures

'Non audit services' do not include 'prohibited non audit services' that are referred to in the next paragraph of this policy.

What are prohibited non audit services?

'Prohibited non audit services' are services that, if provided by the external auditor to the Company, would create a real or perceived material threat to the independence of the external auditor. These include consulting advice, subcontracting operating activities normally undertaken by management and where the auditor may ultimately be required to express an opinion on its own work.

Examples of prohibited non-audit services include:
- Consulting services
- Legal representation on tax and other legal issues
- Designing or implementing new IT systems or financial controls
- Book-keeping
- Valuations, which will then be the subject of the audit firm's opinions
- Senior Executive recruitment and appointments
- Senior Management secondments
- Success fee based engagements
- Strategic business direction and planning
- Providing appraisal or valuation and fairness opinions;
- Performing internal audit services;
- Providing advice on deal structuring and related documentation;
- Providing tax planning and strategic advice;
- Providing IT systems services;
- Performing executive recruitment or extensive human resources functions;
- Acting as a broker dealer, promoter or underwriter; or
- Providing legal services.

Even if a non audit service is not listed above, it will be prohibited if it creates a real or perceived material threat to the independence of the external auditor.

External auditor may not provide prohibited non audit services

As a general rule, without the Committee's approval, the external auditor may not provide any prohibited non audit services to the Company.

CFO must approve all non audit services

To ensure auditor independence is maintained, the Company requires all engagements of the external auditor to provide non audit services to be approved in writing by the Chief Financial Officer.

CFO needs Committee approval for certain non audit services

The Chief Financial Officer must obtain the prior written approval of the Committee before the external auditor can be engaged to perform non audit services where:

- the fee for the particular engagement exceeds $10,000; or
- the annual fees for all non audit services exceed, or are likely to exceed, 50% of the auditor's annual audit fees.

Factors to be considered by the CFO/Committee when granting approval

In assessing a request for non audit services, the Chief Financial Officer/Committee is required to give consideration to:

- the nature of the service provided;
- the dollar value and period of 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.

Monitoring and reporting

Internal Audit
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 Committee Chair.

CFO
The Chief Financial Officer must report to the Committee on a periodic basis regarding:

- any non audit services provided by the auditor; and
- the amounts paid to the external auditor for those services.

Committee
The Committee must provide an annual 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;
- a statement 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
- the reasons for the Committee's opinion.