Procedures for the selection and appointment of the external auditor

Mortgage Choice Limited

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1. Auditor performance

The Audit Committee should regularly review the performance of its auditor and consider any ongoing appointment.

2. Rotation of external audit engagement partners

The external auditor should rotate the senior audit partner and the audit review partner every five years with suitable succession planning to ensure consistency. The Company may also require the auditor to rotate other key senior audit personnel engaged in providing audit services to the Company.

3. External auditor independence

3.1 The basic requirement for auditor independence is that the auditor should not place itself in a position where its objectivity may be impaired or where a reasonable person might conclude that its objectivity has been impaired. This basic requirement also applies to individual members of an audit team. The credibility and integrity of the financial reporting process is paramount.

3.2 The Company has adopted the following guidelines on external auditor independence. These guidelines will help to ensure a consistent approach to the appointment and review of external auditors.

4. Auditor remuneration and non-audit services

4.1 The Audit Committee should have a clear understanding of the types of services (both audit and non-audit) provided by the external auditor. The Company is required to:

(i) disclose in its annual report the fees paid for non-audit services during the reporting year; and

(ii) provide a statement in its annual reports as to whether the Audit Committee is satisfied that the provision of non-audit services is compatible with auditor independence.

4.2 The Company will not give work to the external auditor likely to give rise to a 'self review threat' (as defined in Australian Professional Statement F1, *Professional Independence*, The Institute of Chartered Accountants in Australia and CPA Australia 2002). The external auditor should not (among other things):

(i) prepare the Company's accounting records and financial statements;

(ii) carry out valuations for the Company;

(iii) provide auditor staff for secondment to management positions;

(iv) be involved in the implementation of key systems with financial implications;

(v) give advice that has a significant impact on the value of a material asset or liability;

(vi) provide internal audit services;

(vii) provide legal services; or

(viii) be involved in corporate finance activities.

4.3 This policy does not completely rule out audit firms providing these services, however the Company will have to explain in its annual reports why those services do not impair external auditor independence. The Company will have to show a compelling reason (like no other viable alternative) and that effective measures are in place to contain conflicts.

4.4 The Audit Committee will adopt both a qualitative and quantitative approach to assessing the materiality of non-audit services to the company, the auditor and the audit team.

5. Avoiding 'self interest threat'

5.1 A former partner or other senior employee of the external auditor who was directly involved in an audit of the Company can not become a director of the Company or one of its related corporations or take a position with a group company for two years after they leave the external auditor.

5.2 The audit committee will require the external auditor to confirm annually that:

(i) it has complied with all professional regulations relating to auditor independence (for example, Australian Professional Statement F1);

(ii) the external auditor has maintained its independence;

(iii) the total fees received by the external auditor from the group do not have a material impact on the auditor's operations or financial condition;

(iv) a group member has not withheld any fees from the external auditor; and

(v) there is not any litigation between a group member and the external auditor.

5.3 The auditor is also required to show that it has adopted and applies policies and procedures to:

(i) identify and measure any threat to independence;

(ii) eliminate or reduce any identified threat to independence to an acceptable level;

(iii) identify interests or relationships between the auditor, audit team members and clients;

(iv) prevent individuals who are not members of the audit team from influencing the external audit; and

(v) otherwise comply with relevant best practice.