



Company Secretariat

Policy and procedure on the use of the external auditor to provide non-audit services

1.0 Purpose

The Audit & Risk Committee (Committee) recognises the importance that the independence of the external auditor (Auditor) is not impaired through the provision of non-audit services. To ensure the independence, objectivity and good corporate governance of the Auditor, the following policy is in place in connection with the provisions of non-audit services by the Auditor.

Non-audit services comprise any engagement in which an audit firm provides professional services other than pursuant to the audit of financial statements or those other roles which legislation or regulation specify can be performed by the Auditors (e.g. complying with the procedural and reporting requirements of regulators).

This document sets out the policy and summarises the procedures for the engagement and remuneration of the Auditor for the conduct of non-audit services. This policy defines three types of non-audit services being those for which:

- The Auditor is explicitly excluded from undertaking (Prohibited Non-audit Services);
- Specific approval from the Committee is required before the Auditor is contracted or engaged (Permitted Non-audit Services); and
- Use of the Auditor is pre-approved as a matter of policy (i.e., without the need to seek specific approval of the Committee prior to contracting with the Auditor for engagement) (Pre-approved Permitted Non-audit Services).

This Policy has been drawn up in accordance with UK and European regulatory requirements and best practice. The lists of services set out below may be amended only by the Committee and is not intended to be exhaustive. Where the proposed non-audit service is not referred to in either the list of prohibited or permitted activities or there is any doubt over the categorisation, guidance should be sought from the Group Finance Director or Company Secretary.

1.1 High Level Process Flow



2.0 Scope

This policy applies to all companies, businesses, and functional areas within the Group; and to all situations where we propose to engage with the external auditor for the provision of non-audit services.

3.0 Procedure

1. Prohibited Non-audit Services

1.1. The following sets out those activities that the Auditor is prohibited from undertaking that have the potential to impair, or appear to impair, the independence of their audit role. Generally, these include services where the Auditor:

- participates in activities that are normally undertaken by management;
- is remunerated through a “success fee” structure; or
- may be required to audit their own work.

1.2. Non-Audit Services for which External Auditors cannot be engaged:

- Book-keeping or other services related to the accounting records or financial statements;
- Designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing or implementing financial information technology systems;
- Services linked to the financing, capital structure and allocation, and investment strategy of the audit entity, except for providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
- Promoting, dealing in, or underwriting shares in the audited entity;
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- Actuarial services for any Company Pension Scheme or its Trustees (as distinct from advice on accounting assumptions to be used in relation to schemes in the Company’s accounts);
- Management functions or services that involve playing any part in the management or decision-making of the audited entity;
- Payroll services or human resources services such as high level management recruitment, structuring of the organisation or cost control;
- Broker, dealer, investment adviser or investment banking services;
- Legal services and expert services unrelated to the audit;
- Executive selection and recruitment, including advice to the Remuneration Committee (other than general assistance relating to appropriate levels of disclosures and accounting advice);
- Seconding employees to key management positions;
- Tax services relating to preparation of tax forms, payroll tax, custom duties, identification of public subsidies and tax incentives, support regarding tax inspections by tax authorities, calculation of direct and indirect tax and deferred tax, provision of tax advice;
- Acting as an advocate before a regulatory, tax or other statutory body on a matter which is material to the financial statements or dependent on audit judgment;
- Handling tax payments on behalf of the group;
- Internal audit (other than providing advice on processes or potential areas for improvement);
- Any other matter specifically prohibited by law.

2. Permitted Non-audit Services

2.1. These will generally be those services expected to be undertaken by external auditors (e.g. comfort letters, interim profit verification) or those services that could be undertaken by any professional services firm, but the Executive Committee has concluded that the external auditors are the best provider and that there is not a significant risk to compromise their independence.

2.2. Subject to the prohibited non-audit services and any provision made for pre-approved permitted non-audit services (see sections 1 and 3) and subject to the advance approval of the Committee (which may be withheld), the following list sets out those non-audit services that the Auditor is permitted to undertake:

2.3. Accounting

1. Advice on the preparation of financial information and the application of IFRS and other applicable accounting standards; or

2. Training support for accounting projects and in relation to accounting standards.

2.4. Corporate Transactional Services

1. Financial due diligence for equity and capital markets transactions and debt raising;
or

2. Accounting advice.

2.5. Other audit-related services:

- Interim profit verification
- Half year review
- Comfort letters
- Employee benefit plan audits
- Attestation in relation to matters not required by statute or law (e.g. controls reports)
- Other reports required by regulators or assurance standards relating to regulatory developments
- Sustainability audits
- IT security audits.

3. Pre-approved Permitted Non-audit Services

3.1. The Committee may choose to pre-approve certain audit-related services including interim profit verifications and half year reviews.

3.2. The Committee has chosen to set a threshold of annual expenditure for other non-audit services below which, if the activity falls within the definition of a Permitted Non-audit Service as set out in section 2 above, approval in advance from the Committee would not be required. The activity would thus be classed as a Pre-approved Permitted Non-audit Service. The current threshold set is £50,000 per annum. For the avoidance of doubt, where expenditure in relation to Permitted Non-audit Services exceeds this amount, the prior approval of the Committee will be required.

3.3. The Committee will consider the threshold on an annual basis generally at the same time that it considers the reappointment of the Auditor.

3.4. As noted in 3.3, any fees for Permitted Non-audit Services in excess of the threshold must be approved by the Committee in advance of the expenditure being incurred, in accordance with the process as set out in 4.

4. Approval Process

4.1. The Group Finance Director will review all requests to utilise the external auditor for non-audit engagements outside of section 3 above. If the Group Finance Director is satisfied that the engagement does not compromise the independence of the external auditors and it is not a Pre-approved Permitted Non-audit Service, they will recommend to the Committee that approval should be given for the engagement to proceed.

4.2. When reviewing a request that approval should be given for the engagement of the external auditors for non-audit services the Committee will consider:

- whether the skills and experience of the audit firm (and personnel involved) make it the most suitable supplier of the non-audit service;
- the nature of the non-audit services;
- the fees to be incurred;
- which personnel of the Auditor would be carrying out the non-audit service;
- the threat of self-interest, self-review, management judgment and advocacy that could arise and any safeguards that may be in place to prevent such threats.

4.3. A majority of Committee members must confirm their agreement by e-mail to the Group Finance Director before the engagement can proceed.

- 4.4. The Group will not accept an engagement under which the external auditors would provide non-audit services to the Group or any Subsidiary without the appropriate pre-approval being in place.
 - 4.5. The total fees for non-audit services in any one year shall be limited to no more than 40% of the average audit fees paid in the last three consecutive years. No approval will be granted for any non-audit services that exceed this limit.
- 5. Monitoring non-audit services**
- 5.1. The Committee will assess the independence and objectivity of the external auditor annually, generally at the same time that it considers the reappointment of the Auditor.
 - 5.2. The Committee will seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with the relevant requirements.
- 6. Reporting of fees paid to the Auditor for non-audit services**
- 6.1. The Committee will review and ratify a schedule documenting all audit-related and non-audit related services, on an annual basis. Including approval of all non-audit services pre-approved since the previous review.
- 7. Remuneration for non-audit services**
- 7.1. The auditors cannot be remunerated by way of success fees, contingent fees or commissions.
- 8. Employing former employees of the external audit firm**
- 8.1. Key audit partners (defined as the audit engagement partner or director or engagement quality control reviewer, or a key partner involved in the audit or a partner in the chain of command) will not be offered employment by the company or any of its subsidiary undertakings within two years of undertaking any role on the audit.
 - 8.2. Other key team members (defined as manager grade and above) will not be offered employment by any group company within twelve months of undertaking any role on the audit.
 - 8.3. Other audit team members who accept employment by any group company must cease activity on the audit immediately after they tender their resignation to the audit firm.
 - 8.4. Any offer of employment to a former employee of the audit firm, within two years of the employee leaving the audit firm, must be pre-approved by the Committee where the offer is made in respect of a senior executive position (defined as Grade 4 and above). Between meetings, the Committee chair has delegated authority to deal with such appointments at his discretion. Any such interim approval must be ratified at the next meeting of the Committee.