

Policy

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. This policy is in place to mitigate any risks threatening, or appearing to threaten, the external audit firm's independence and objectivity arising through the provision of non-audit services.

The policy is revised as a result of the Revised Ethical Standard issued by the Financial Reporting Council in December 2019. The new ethical standard means that virtually no non-audit services are allowed unless they are audit related services, largely carried out by the audit team. This is to ensure that the independence of the auditors is never threatened. The permitted services fall into two categories, one where the fee involved has no impact, and another where the fees involved are capped as a percentage of the audit fee. The standard also lists those services which an auditor is forbidden from carrying out. The consequences of an auditor inadvertently carrying out such work can be severe, and therefore, strict monitoring and control will be applied as outlined in the policy.

Whilst the new standard is applicable for the periods commencing on or after 15 March 2020, the Group will be early adopting. Accordingly, this policy becomes effective immediately.

1. Permitted non-audit services:

The Group's auditors will be appointed only to provide the permitted non-audit / additional services as defined in section 5B of the standard. These are essentially audit related services, largely carried out by members of the audit engagement team, and where the work involved is closely related to the work performed in the audit and where it is clear there are no auditor independence concerns. The services which are exempt from the non-audit services fee cap as well as the services which are subject to this cap are outlined as below:

(a) Services required by law or regulation and exempt from the non-audit services cap

- Reporting required by a competent authority or regulator under law or regulation for example;
 - Reporting to a regulator on client assets;
 - in relation to entities regulated under the Financial Services and Markets Act 2000 (FSMA), reports under s166 and s340 of FSMA;
 - Reporting to a regulator on regulatory financial statements;
 - Reporting on a Solvency and Financial Condition Report under Solvency II.
- In the case of a controlled undertaking incorporated and based in a third country, reporting required by law or regulation in that jurisdiction where the auditor is permitted to undertake that *engagement*;
- Reporting on internal financial controls when required by law or regulation;
- Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports;
- Reports, required by or supplied to competent authorities / regulators supervising the *audited entity*, where the authority / regulator has either specified the auditor to



- provide the service or identified to the entity that the auditor would be an appropriate choice for service provider;
- Services which support the entity in fulfilling an obligation required by UK law or regulation, including listing requirements where: the provision of such services is time critical; the subject matter of the engagement is price sensitive; and it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor for the audit of the financial statements is relevant to the service, and where the nature of the service would not compromise independence;

(b) Services subject to the non-audit services cap

- Reviews of interim financial information; and providing verification of interim profits not otherwise required by law or regulation;
- Where not otherwise required by law or regulation, non-audit and additional services, as defined in the standard provided as auditor of the entity, or as *reporting accountant*, in relation to information of the *audited entity* for which it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor is relevant to the service, and where the nature of the service would not compromise independence;
- Extended audit or assurance work that is authorised by those charged with governance performed on financial or performance information and/or financial or operational controls, in an *entity relevant to an engagement* or a third-party service provider, where this work is closely linked with the audit work;
- Additional assurance work or agreed upon procedures, authorised by those charged with governance performed on material included within or referenced from the annual report of an *entity relevant to an engagement*;
- Reporting on government grants;
- Reporting on covenant or loan agreements, which require independent verification, and other reporting to third parties with whom the *entity relevant to an engagement* has a business relationship in accordance with Appendix C of standard;
- Services which have been the subject of an application to the Competent Authority in accordance with Regulation 79 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177);
- Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.

Whilst we cannot be definitive of every instance, for any non-audit service to be approved, it must be an audit related service (as defined above), or be very close one of these examples, and where it is clear there are no auditor independence concerns.

2. Prohibited non-audit services:

The Group's auditors will not be appointed to provide any of the prohibited non-audit services in:

- I. the period between the beginning of the period audited and the issuing of the audit report; and



- II. the financial year (or period if longer than one year) immediately preceding the period referred to in point (I) in relation to the services listed in points (e) and (h) below.

For these purposes, prohibited non-audit services shall mean:

- (a) tax services relating to:
 - (i) preparation of tax forms;
 - (ii) payroll tax;
 - (iii) customs duties
 - (iv) identification of public subsidies and tax incentives unless support from the audit firm in respect of such services is required by law;
 - (v) support regarding tax inspections by tax authorities unless support from the audit firm in respect of such inspections is required by law;
 - (vi) calculation of direct and indirect tax and deferred tax; or
 - (vii) provision of tax advice;
- (b) services that involve playing any part in the management or decision-making of the audited entity;
- (c) bookkeeping and preparing accounting records and financial statements;
- (d) payroll services;
- (e) designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information or designing and implementing financial information technology systems;
- (f) valuation services, including valuations performed in connection with actuarial services or litigation support services;
- (g) legal services, with respect to:
 - (i) the provision of general counsel;
 - (ii) negotiating on behalf of the audited entity; or
 - (iii) acting in an advocacy role in the resolution of litigation;
- (h) services related to the audited entity's internal audit function;
 - (i) services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except 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;
 - (j) promoting, dealing in, or underwriting shares in the audited entity; and
 - (k) human resources services, with respect to:



- (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
- (ii) structuring the organisation design; and
- (iii) cost control.

3. Approval

The Group's auditors may be appointed to provide the permitted non-audit / additional services, as summarised in paragraph 1 above, provided that:

- (a) the fees payable to the auditors in respect of services outlined in paragraph 1(b) must not exceed 70% of the average audit fee for the last three years in the aggregate;
- (b) each appointment of the auditors to provide any such services must be approved by the Group Finance Director or the Group Financial Controller;
- (c) any individual appointment for services in excess of £20,000 must first be approved by the Chair of the Audit Committee of the Group's Board (the "**Audit Committee**"), with the Chair having discretion on whether to seek approval of the Audit Committee;
- (d) any individual appointment for services in excess of £100,000 must first be approved by the Audit Committee; and
- (e) a summary of the fees paid in each of the first and second half of each year shall be presented to the Audit Committee at its first meeting after each such period end. Any proposal to appoint the Group's auditors to provide non-audit services which will breach the aggregate fee limit referred to above will require the prior approval of the Audit Committee.

4. Scope

Whole Group.

5. Guidance

This policy will be reviewed by the Audit Committee at least annually and will also be updated to reflect changes in laws and regulations.

Document Owner: Ritesh Tanna (Group Financial Controller)
Administrator: Lisa Smith

Document History

- 1 November 2016 adopted by Audit Committee
- 2 October 2018 put into revised format
- 3 January 2020 revisions adopted by Audit Committee
- 4 Most recently reviewed on 3 November 2021

