

Policy for provision of non-audit services by the external auditor

1. Introduction

The Audit Committee recognises it is important that the independence of the external auditor, real or perceived, is not impaired through the provision of non-audit services.

To ensure the independence and objectivity of the external auditor, the following policy in connection with the provision of non-audit services by the external auditor has been approved by the Audit Committee.

2. Services which are not permitted to be provided by the external auditor

2.1 The external auditor should not provide services that have the potential to impair or appear to impair the independence of their audit role. Generally, these include services where the external auditor:

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

2.2 Non Audit Services for which External Auditor cannot be engaged:

- Tax services relating to:
 - i. Preparation of tax forms;
 - ii. Payroll tax;
 - iii. Custom duties;
 - iv. Identification of public subsidies and tax incentives unless support from the statutory auditor or the audit firm in respect of such services is required by law;
 - v. Support regarding tax inspections by tax authorities unless support from the statutory auditor or audit firm in respect of such inspections is required by law;
 - vi. Calculation of direct or indirect tax and deferred tax; and
 - vii. Provision of tax advice;
- Services that involve playing any part in the management or decision-making of the audited entity and any secondment or other arrangement for a partner or employee of the external auditor to work for a temporary period as if that individual were a company employee;
- Bookkeeping and preparing accounting records and financial statements;
- Payroll services;
- 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;
- Valuation services, including valuations performed in connection with actuarial services or litigation support services;

- Legal services, with respect to:
 - i. The provision of general counsel;
 - ii. Negotiating on behalf of the audited entity; and
 - iii. Acting in an advocacy role in the resolution of litigation;
- Services related to the audited entity's internal audit function;
- 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;
- Restructuring services where the audit firm would be required to act as an advocate for the audited entity in relation to matters that are material to the financial statements;
- Promoting, dealing in, or underwriting shares in the audited entity;
- 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.
- Remuneration services relating to advice on the quantum of the remuneration package or the measurement criteria on which the quantum is calculated for a director or key management position.

3. **Non-Audit Services for which the External Auditor can be engaged**

Subject to section 2 above, the External Auditor can be engaged to provide any of the services described in paragraph 5.40 of the [Financial Reporting Council's Revised Ethical Standard 2019](#) and set out in Appendix 1 for reference ("**the permitted non-audit services**") subject to the approvals process set out below.

The external auditor may be engaged to perform the permitted non-audit services without reference to the Audit Committee subject to fees being less than £50,000 for each assignment and a cumulative annual total of less than 50% of that year's audit fee provided prior approval is given by the Chief Financial & Operating Officer where he considers that the external audit firm is the most suitable supplier of the non-audit service and the provision of the service will not impair the external auditor's independence or objectivity.

Where the engagement of permitted non-audit services for a single activity is over £50,000 or would take the cumulative total of non-audit fees paid to the external auditor over 50% of that year's audit fees, the engagement must be approved by the Audit Committee. When considering requests for permitted non-audit services, the Audit Committee will review the external auditor's independence assessment in respect of the proposed services and assess:

- whether the provision of such services impairs the auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats to an acceptable level;
- the nature of the non-audit services;

- whether the skills and experience make the auditor the most suitable supplier of the non-audit service;
- the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Group audit fee;
- whether the services will have a material effect on the financial statements and consideration of the impact on the independence of the audit of the financial statements;
- the criteria which govern the compensation of the individuals performing the audit,

and will communicate back to the external auditor whether it concurs with the external auditor's independence assessment prior to the provision of the services.

4. **Non-Audit Services Fee Cap**

In total, the fees paid for permitted non-audit services subject to the non-audit services cap (as set out in paragraph 5.40 of the Financial Reporting Council's Revised Ethical Standard 2019) in any financial year must not exceed 70% of the average statutory audit fee for the prior three consecutive financial years.

Management shall provide a summary of non-audit fees both incurred to date and of approved but yet to be performed services to the Audit Committee on a periodic basis and at the minimum at each of the interim and full year Audit Committee meetings. The summary shall include an explanation of the nature of each service, the type of non-audit service it represents, why it is or was believed to be in the interests of the company to purchase the service from the external auditor, whether there is a direct or material effect on the financial statements and any threats and safeguards applied to reduce those threats to an acceptable level.

5. **Disclosure requirements**

In the Audit Committee's report in the Annual Report and Accounts, the Committee will disclose:

- 5.1 The Committee's policy for approval of non-audit services.
- 5.2 How auditor objectivity and independence are safeguarded.
- 5.3 The audit fees for the statutory audit of the company's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work.
- 5.4 For each significant engagement, or category of engagements, detail of what the services are and why the audit committee concluded that it was in the interests of the company to purchase them from the external auditor.

23 February 2023

Appendix 1

Financial Reporting Council's Revised Ethical Standard 2019 – Edited Extract

Permitted Non-audit / Additional Services

5.40 An audit firm carrying out statutory audits of public interest entities and, where the audit firm belongs to a network, any member of such network, shall not provide to the audited entity, to its UK parent undertaking or to its worldwide controlled undertakings, services other than those set out in the rest of this paragraph, subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with the Financial Reporting Council's Revised Ethical Standard 2019:

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;

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 this Ethical 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 this Ethical 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.

Where such services are provided, they shall not include any elements of those services subject to outright prohibition in Regulation 80 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177). The prohibitions in this Regulation have been amended to require an extended cooling in period for services linked to an audit entity's internal audit function. No other non-audit or additional services shall be provided to the audited entity, its UK parent undertaking and its worldwide controlled undertakings by the audit firm or any member of the firm's network.