

Appendix 8

Group Policy for the Provision of Non-Audit Services by the External Auditor

1. In line with the Financial Reporting Council's (FRC) Revised Ethical Standards (dated December 2019) this policy is designed to assist the Group and each of its subsidiaries in ensuring that the engagement of the External Auditors to provide non-audit services:
 - a) is only done in appropriate circumstances;
 - b) is transparent; and
 - c) does not impair the judgement or independence of the External Auditors.

Services provided by the External Auditor

2. "Audit related services" are those non-audit services specified in the FRC Ethical Standard that are largely carried out by members of the audit engagement team, where the work involved is closely related and integrated to the work performed in the audit, is performed on the same principal terms and conditions as the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied. These are as follows:
 - i. Reporting required by law or regulation to be provided by the auditor;
 - ii. Reviews of interim financial information;
 - iii. Reporting on regulatory returns;
 - iv. Reporting to a regulator on client assets;
 - v. Reporting on government grants;
 - vi. Reporting on internal financial controls when required by law or regulation; and
 - vii. Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.
3. There are also non-audit services, other than "audit related services" for which the auditor of the entity is an appropriate provider, particularly where those services are required by UK law or regulation. However, the threats to independence arising from such services are not necessarily clearly insignificant and consideration is required as to whether such services give rise to threats to independence and, where appropriate, the need to apply safeguards. Such services include:
 - i. Reports, that are not 'audit related services', required by the 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;
- ii. Audit and other services 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 for the audit of the financial statements is relevant to the service, and where the nature of the service would not compromise independence. These might include, for example:
 - o audit and other services relating to public reporting as reporting accountant on financial or other information of the audited entity in a prospectus or circular (including reports that may be required by the Prospectus Rules, the Listing Rules and the Take Over Code);
 - o services, including private reporting, that are customarily performed by the reporting accountant to support statements made by the directors, disclosures in a prospectus or circular or, in the case of premium listed issuers, to support confirmations provided by the sponsor to the FCA; and
 - o audit and other assurance services relating to public reporting on other information issued by the entity, such as reports on information in the front of annual reports not covered by the auditor's report on the financial statements.

The above list is not intended to be fully comprehensive and does not preclude other services being provided.

4. The Audit Committee will pre-approve all "permitted non-audit services", having satisfied itself with regard to the following factors:
 - i. Whether 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;
 - ii. Whether the nature of the service would compromise independence;
 - iii. An assessment of threats to independence and the safeguards applied to counter those threats;
 - iv. The Audit Committee are confident that no element of the service would conflict with the EU blacklist of non-audit services (see paragraph 7); and
 - v. Arrangements with the auditor that include contingent fee arrangements are not permitted.
5. Permitted non-audit services, except for those required by law or regulation, are subject to a 70% cap.
 - i. **70% cap** - the non-audit fees paid in relation to a particular year shall not exceed 70% of the average of the three previous consecutive years of statutory audit fees paid.

- ii. Non-audit services subject to the 70% cap, include for example:
 - a) Review of interim financial statements;
 - b) Reporting on covenant or loan agreement, which require independent verification, and other reporting to third parties with whom the entity relevant to an engagement has a business relationship;
 - c) Reporting on government grants;
 - d) Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards; and
 - e) Other permitted non-audit services, provided 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.
- iii. Non-audit services not subject to the 70% cap, include for example:
 - a) reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports;
 - b) in relation to entities regulated under the Financial Services and Markets Act 2000 (FSMA), reports under s166 and s340 of FSMA; and
 - c) 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.

The above list is not intended to be fully comprehensive and does not preclude other services being provided.

- 6. “Prohibited non-audit services” where the External Auditor will not be permitted by the Audit Committee to provide services include:
 - 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 statutory auditor in respect of such services is required by law;

- v. support regarding tax inspections by tax authorities unless support from the statutory auditor in respect of such inspections is required by law;
 - vi. calculation of direct and indirect tax and deferred tax; and
 - 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; and
 - 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;
 - 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.

Services by other audit firms

7. The Audit Committee will consider which non-audit services are being provided by which audit firm, particularly when approaching the planned tender of the External Audit, to avoid restrictions on choice or potential delays in changing the External Auditor. An External Auditor must not have provided services linked to the Internal Audit function in the financial year preceding the first year on which they will perform a statutory audit.

Reporting accountant engagements

8. Where an audit firm is appointed in the capacity of a Reporting accountant (i.e. where making material acquisitions), the same standards apply on independence in relation to their engagement on non-audit and other services, including the 70% cap.

The natural option is often the appointment of the External Auditor as Reporting accountant due to their knowledge of the company and because they are independent to the required standard, however the 70% cap restrictions may preclude this.

The Audit Committee will monitor the non-audit services provided by audit firms and will consider whether it is appropriate, at any point, for a firm to remain independent in order to act as Reporting accountant should the need arise.

Approval process

9. The Audit Committee has delegated authority for the Chief Financial Officer to commission non-audit services (subject to the assessment in paragraph 4) from any firm, whether they are External Auditors or not, where the prospective value of fees shall not exceed £50,000.
10. Any proposed engagement of a firm to provide non-audit services at a prospective fee level greater than £50,000 shall require the prior approval of the Audit Committee.
11. Where there is an urgent need to engage the External Auditors for non-audit services above the threshold referred to in paragraph 9, the Chief Financial Officer can discuss and agree the matter with the Chair of the Audit Committee and report their conclusion at the next Audit Committee meeting.
12. The Group shall seek to operate this policy in such a way that the best service provider is engaged as is appropriate to the individual circumstances and that independence is maintained.

Reporting

13. The Audit Committee shall receive from the Chief Financial Officer (for information only) a report in respect of each financial year which sets out all external professional services fees from PwC, Deloitte, EY and KPMG.