



Auditor independence and non-audit services policy

The Group's independence and non-audit services policy is derived from the FRC's guidelines on the UK Corporate Governance Code and Ethical Standards. Under these guidelines it is the responsibility of the audit committee to review and monitor the external auditor's independence and objectivity¹.

The Group has a number of policies in place to ensure that the auditor remains independent, as set out in this paper. Independence is also reviewed regularly by the Group's external auditor and in advance of commencement of any engagement including the year-end audit and interim review.

Independence and re-appointment of the auditor

It is the responsibility of the audit committee to make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor. It is the Group's policy for the Audit Committee to annually assess both the performance and independence of the external auditor and make a recommendation to the Board on this basis.

Deloitte LLP became the Group's auditor in 2012. The Financial Reporting transitional arrangements require that a tender review be undertaken in 2023.

The external auditors must remain independent and objective throughout the provision of their external audit services and when formulating their audit opinion. The Group maintains a strict policy that the external auditors should not carry out work if it would impair the auditor's independence or might give rise to a reasonable perception that their independence could be impaired. The policy is guided by the following principles:

- The external audit firm is not involved in the decision making process at the Group.
- The external audit firm assures that no direct or indirect financial, business, employment or other relationship exists which would cause a third party to conclude that the external auditor's independence has been impaired.
- The external audit firm is in compliance with applicable UK laws and regulation.

Non-audit services

The FRC has adopted the EU blacklist of banned non-audit services which cannot be provided by the Group's auditors. It is the group's policy to use alternative suppliers for any of these services. The FRC also outlines a number of services which are prohibited except for where the service has no direct impact on the Group or where the impact is clearly inconsequential. For the avoidance of doubt it is the Group's policy to use alternate suppliers for these services. The list of prohibited services is shown below²:

- Tax services including compliance and advice.
- Services that involve playing any part in the management or decision-making of an audited entity.
- Bookkeeping and preparing accounting records and financial statements.
- Payroll services.
- Design and implementation of internal control procedures and systems.
- Valuation services.



- Legal services which include the provision of general counsel, negotiation on behalf of, or in advocacy for, the audited entity.
- Internal audit services.
- Services relating to financing, capital structure and investment strategy.
- Services promoting, dealing in, or underwriting shares in the audited entity.
- Human resource services with respect to organisational design, cost control or searching for recruitment candidates.

A number of these services would be allowable in the limited case that they are deemed to have an immaterial effect to the audited financial statements and this fact has been comprehensively considered and documented by the audit committee where the provision of the service involves. However, it is the Group's policy to use alternative suppliers for these services:

- Preparation of tax forms.
- Provision of general tax advice.
- Support in relation to the preparation of tax forms and tax inspections.
- Tax planning.
- Valuation services.

In all other circumstances the Group will consider whether it is appropriate to use the Group's external auditor for non-audit services. The Group's general policy is to use alternative suppliers unless the services are closely related to providing assurance over the Group's financial performance. These services will typically include:

- Review of interim financial statements.
- Review of other non-audited financial information.
- Reporting accountants for acquisitions.
- Reporting accountants for issues of debt, equity and other fundraising activities.
- Reporting accountants for any other regulatory or statutory filings.

In all cases, where the fee for any non-audit service to be provided to the Group by the Group's external auditor exceeds **£50,000** the provision of the service will be subject to approval by the Board.

Under EU audit legislation adopted by the FRC fees for permissible non-audit services should not exceed 70% of the average audit fees paid in the last three consecutive years³. The restriction applies for the financial year starting 1 October 2016. It is the Group's policy to monitor this ratio on an on-going basis considering this ratio prior to the commencement of any non-audit service.

References

- 1 – UK Corporate Governance Code April 2016 Section C.3.2
- 2 – Financial Reporting Council, Revised Ethical Standard 2016. 5.167R
- 3 – Deloitte, Non Audit Service: Restrictions and fee cap, November 2015