

This note sets out the Group's policy on the use of its external auditors for non-audit services. It reflects the requirements of Code provision C.3.2 of the revised Corporate Governance Code 2016.

The objective of the policy is to ensure that the provision of such services does not impair, or is not perceived to impair, the external auditors' independence or objectivity. The policy will be reviewed from time to time and its application will be monitored by the Audit Committee of the Board.

It is recognised that the external auditors will have a significant understanding of the Group's business and finances and that this knowledge and experience can be utilised to the Group's advantage in many areas. The external auditors also have a professional code of conduct, which deals with managing any conflicts of interest.

However, there is a need to balance these advantages against the need to maintain safeguards in those areas where there could be an external perception that the external auditors' independence and judgment may have been impaired through the aware of non-audit assignments.

This policy, therefore, imposes guidance on the areas of work that the external auditors may be asked to undertake and those assignments where the external auditors should not be involved. There is a further category of services for which a case-by-case decision is necessary.

The Group also wishes to ensure that non-audit fees payable to the Group's external auditors are kept within reasonable bounds relative to the audit fee. The level of such fees will be monitored by the Group Finance Director and the Audit Committee. While there is no pre-determined limit, the Board expects that the ratio of non-audit fees to audit fees payable to the Group's external auditors would not normally exceed 0.7:1 on average over a three year period.

1. Work for which the Group external auditors can be engaged without referral to the Audit Committee

- Regulatory and other specialist financial reporting
- Accountants' reports for any Stock Exchange purposes
- Ad hoc reporting on historical financial information for any other purpose
- Accounting advisory services
- Accounting, forensic and control investigations

2. Work from which the Group's external auditors are excluded

- Tax advice and compliance
- Services that involve playing any part in the management or decision-making process
- Book-keeping and preparing accounting records and financial statements/payroll services
- Designing and implementing internal controls related to financial information or designing and implementing financial information technology systems
- Valuation services
- Legal services/Internal audit/Human resource service
- Services linked to financing, capital structure and allocation, and investment strategy of the audited entity

- Promoting, dealing in or underwriting shares in the audited entity
- Any other services specifically prohibited by the UK or other relevant legislation or regulation

3. Work for which a case-by-case decision is necessary

There are other types of work where it is appropriate to consider the use of the external auditors to provide services. The following criteria need to be considered before they are appointed to provide such services:

- (a) Whether the skills and experience of the audit firm make it a suitable supplier
- (b) That there are no potential conflicts, or threats to objectivity and independence in the conduct of the audit, resulting from the assignment
- (c) That the external auditors are subject to the Group's normal competitive tendering processes
- (d) That the fee levels, and the basis of charging such fees, are appropriate individually and in aggregate relative to the audit fee
- (e) That the lead partner for the assignment should not be the same person as the lead audit partner

In all cases, any instruction above a project cost of £50,000, or where the fee is contingent in full or in part on success, must be pre-approved by the Group Finance Director and the Audit Committee before the external auditors are engaged. If approval is required between Audit Committee meetings, the Group Finance Director and the Audit Committee Chairman may pre-approve the project, with ratification by the Audit Committee at its next meeting.

Monitoring

The Group Finance Director is responsible for monitoring that the ratio of non-audit fees to audit fees payable to the Group's external auditors does not exceed 0.7:1 in any given year. Any variation to this will be approved in advance with the Audit Committee.

Also, at one Audit Committee meeting each calendar year, the external auditors will be asked to provide:

- Details of fees paid for all projects since the last meeting
- A statement confirming that the work performed has not breached their internal ethical guidelines and rules on independence