



## McBRIDE PLC (“the Company”)

### POLICY ON THE USE OF THE EXTERNAL AUDITORS FOR NON-AUDIT SERVICES

#### Introduction

This document details the Company’s policy in relation to the provision of non-audit services by the external auditors (“the Auditors”) on behalf of the Company and its subsidiaries (“the Group”) and outlines the control processes that are in place to ensure compliance with this Policy.

#### Purpose

The overriding aims of this Policy are:

- (a) to preserve the independence and objectivity of the Auditors in performing the statutory audit, and
- (b) to avoid any conflict of interest by clearly detailing the types of work that the Auditors can and cannot undertake.

The Policy aims to ensure that in providing non-audit services the Auditors do not:

- audit their own work;
- make management decisions for the Company or any of its subsidiaries;
- create a mutuality of interest; or
- find themselves in the role of advocate for the Company or any of its subsidiaries.

The Audit Committee shall ensure that the Auditors table a statement confirming that any non-audit related work has not breached their internal ethical guidelines and rules on independence.

The Company’s annual report will explain to shareholders how, if the Auditors provide non-audit services, auditor objectivity and independence is safeguarded.

#### **Authority to commission Non-Audit Services from the Auditors**

It is recognised that the Auditors have significant knowledge and understanding of the Group’s business and that this experience can be utilised to the Group’s advantage in a number of areas.

In commissioning non-audit services from the Auditors, the principal consideration should be to ensure that the provision of the service does not impair the Auditors’ independence or objectivity. If there is perceived to be such a threat then the Audit Committee must satisfy itself that there are adequate safeguards in place to ensure that the threat to auditor independence is eliminated, or reduced to an acceptable level. This includes the requirement for the lead partner on the commissioned work not to be the same person as the lead audit partner. The nature and the cost of the proposed non-audit services will also be taken into account. In any event, the fees for non-audit services provided by the Auditors shall not exceed 70% of the average fees paid for audit services over the previous three consecutive financial years.

Where possible the fee basis for each of the non-audit services performed shall be agreed prior to the Auditor commencing work.



Allocation of the work to the Auditors should be carefully considered on a case-by-case basis. Where it is deemed appropriate for the Auditors to be engaged for non-audit services, approval must be granted by:

<b>Project Cost</b>	<b>Authority Level Required</b>
< £50,000 or < 15% annual Auditors' fees	Executive Directors
£50,001 - £100,000 or > 15% annual Auditors fee	Chairman of Audit Committee
> £100,000	Audit Committee

**Note:** If it is not possible to obtain full Audit Committee approval in advance of the need to make a decision on the allocation of work referred to in this section, the Chief Financial Officer shall agree the progress with the Chairman of the Audit Committee and the decision shall be submitted for ratification at the next Board meeting.



**Examples of Non-Audit Services and Permissibility**

PERMITTED/REQUIRED BY LEGISLATION	PERMITTED IN CERTAIN CIRCUMSTANCES	PROHIBITED
<p><b>Regulatory Returns</b></p> <ul style="list-style-type: none"> <li>Filing returns with Financial Services Authority, Inland Revenue etc</li> </ul>	<p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>Operational internal audit services unrelated to the accounting controls, financial systems or financial statements.</li> </ul>	<p><b>Internal Audit</b></p> <ul style="list-style-type: none"> <li>If the Auditors need to place significant reliance on the internal audit work; or</li> <li>If the audit firm would take on a management role as a result of undertaking the internal audit work.</li> </ul>
<p><b>Legal Requirements</b></p> <ul style="list-style-type: none"> <li>Report on matters such as share issues for non-cash consideration, expenditure for grant purposes etc</li> </ul>	<p><b>IT Services</b></p> <ul style="list-style-type: none"> <li>Engagements to design, provide or implement IT systems that are not important to any significant part of accounting system or to production of financial statements.</li> <li>Provision of "off-the-shelf packages", including basis set-up procedures, setting up the chart of accounts and the entry of standard data.</li> </ul>	<p><b>IT Services</b></p> <ul style="list-style-type: none"> <li>Cannot be engaged to design, provide or implement IT systems where systems involved would be important to any significant part of the audit of the financial statements and the Auditors would place significant reliance on them; or</li> <li>Undertake a management role.</li> </ul>
<p><b>Contractual Requirements</b></p> <ul style="list-style-type: none"> <li>Report to lenders or vendors on net assets, covenant requirements etc</li> </ul>	<p><b>Valuation Services</b></p> <ul style="list-style-type: none"> <li>Situations where the Auditors are designated by legislation or regulation as being eligible to carry out a valuation.</li> <li>Accounting advice on valuation matters during the audit and verification of data to be used in a valuation performed by others.</li> </ul>	<p><b>Valuation Services</b></p> <ul style="list-style-type: none"> <li>Services that involve highly subjective judgements and are material to the financial statements.</li> </ul>
<p><b>Regulator Correspondence</b></p> <ul style="list-style-type: none"> <li>Assistance in responding to any regulator letters.</li> </ul>	<p><b>Actuarial Valuation Services</b></p> <ul style="list-style-type: none"> <li>Services where the Group's management make all significant judgements including assumptions, or the amount is immaterial to the financial statements.</li> </ul>	<p><b>Taxation Services</b></p> <ul style="list-style-type: none"> <li>Provided on contingency fee basis &amp; those fees are material to the audit firm (or relevant part thereof);or</li> <li>Where the outcome of the tax service is dependent on uncertain application of laws or future audit judgements relating to a material balance; or</li> <li>Involves undertaking a management role; or</li> <li>Establishment of specific tax planning schemes; or</li> </ul>



		<ul style="list-style-type: none"> <li>Acting before a tax tribunal or court if the issue is material to the financial statements or dependent on a future or contemporary audit judgement.</li> </ul>
<b>Consultation with Management</b> <ul style="list-style-type: none"> <li>As to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies</li> </ul>	<b>Litigation Support</b> <ul style="list-style-type: none"> <li>Acting as an expert witness, for example, in matters relating to forensic accounting, interpretation of Accounting Standards principles, etc.</li> </ul>	<b>Litigation Support</b> <ul style="list-style-type: none"> <li>If work would involve the estimation of likely outcome of pending legal matter that could be material to amounts to be included in disclosures in financial statements and there is significant degree of subjectivity involved.</li> </ul>
<b>General Business/Compliance</b> <ul style="list-style-type: none"> <li>Ad hoc advice on general issues (i.e. VAT, PAYE, ACT, transfer pricing, stock exchange reporting)</li> </ul>	<b>Remuneration Services</b> <ul style="list-style-type: none"> <li>Advice on split between different elements of remuneration, but not advice on actual amounts of remuneration, for directors and senior executives.</li> <li>Recruitment services for personnel other than key management or directors</li> </ul>	<b>Recruitment &amp; Remuneration Services</b> <ul style="list-style-type: none"> <li>Cannot be used to provide recruitment services for directors and key management positions.</li> <li>Cannot be used to provide advice on quantum of remuneration package or the measurement criteria on which quantum is calculated for director or key management.</li> </ul>
<b>Employee Benefit Plans</b> <ul style="list-style-type: none"> <li>Financial statement audits of employee benefit plans.</li> </ul>	<b>Corporate Finance &amp; Transaction Based Services</b> <ul style="list-style-type: none"> <li>Due diligence work in respect of matters which do not have a direct significant and subjective impact on subsequently audited accounts.</li> <li>Providing assistance in developing corporate strategies, identifying possible sources of capital and advice on analysing the accounting effects of proposed transactions.</li> </ul>	<b>Corporate Finance</b> <ul style="list-style-type: none"> <li>Services that would involve the audit firm taking responsibility for dealing in, underwriting or promoting shares; or</li> <li>Services that would depend on questionable accounting treatment, or on a contingent fee basis if material to audit firm, or the outcome involves a future or contemporary audit judgment relating to a material balance in the financial statements;</li> <li>If engagement would involve the audit firm taking on a management role.</li> </ul>
<b>Accounting Services</b> <ul style="list-style-type: none"> <li>Services that the Auditors are not required by law to undertake, but where the information largely derives from the audited financial statements.</li> </ul>	<b>Accounting Services</b> <ul style="list-style-type: none"> <li>Provision of accounting services in emergency situations, subject to the approval of the Audit Committee (irrespective of fees involved) i.e. disaster recovery claims etc.</li> </ul>	<b>Accounting Services</b> <ul style="list-style-type: none"> <li>Maintenance of accounting records; or</li> <li>Preparation of financial statements that are then subject to audit.</li> </ul>

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<p><b>Acquisitions/Disposals</b></p> <ul style="list-style-type: none"> <li>• Due diligence services; or</li> <li>• Closing balance sheet audits; or “Short Form” or other reports in acquisition or reorganisation situations where completion is necessary in a very short time.</li> </ul>	<p><b>Other Services</b></p> <ul style="list-style-type: none"> <li>• Provision of accounting and/or taxation services in connection with the establishment of new overseas subsidiaries of the Group.</li> <li>• Provision of administration; or</li> <li>• Company secretarial; or</li> <li>• Other incidental services</li> </ul> <p>where there is no perceived threat to auditor independence and no conflicts of interest arise.</p>	
<p><b>Other Services</b></p> <ul style="list-style-type: none"> <li>• Tax compliance where much of the information derives from the audited financial statements.</li> <li>• Financial statement audits of employee benefit plans.</li> <li>• Services that the auditors are not required by law to undertake but where the information largely derives from the audited financial records.</li> <li>• Work that is the by-product of the audit process (i.e. providing comments on weaknesses in internal controls).</li> </ul> <p>Advice on tax accounting entries and recent tax developments.</p>		