

# **Urban&Civic plc (the “Company”)**

## **Policy for the provision of non-audit services**

### **Background**

The Audit Committee of Urban&Civic plc (the “Committee”) is responsible for establishing a policy for the provision of non-audit services by the Company’s external auditor to the Company and its subsidiaries (the “Group”), as well as approving non-audit services. This policy sets out the types of non-audit services that are strictly prohibited and those that may be acceptable. For those non-audit services that may be acceptable, the effect of such non-audit services on the financial statements as well as the independence and objectivity of the external auditor will always be assessed by the Committee prior to being approved.

### **Non-Audit Services Policy**

Non-audit services provided by the external auditor can, due to their size or nature, impair the independence of the auditors either on a real or perceived basis. The purpose of this policy is to mitigate any risks threatening, or appearing to threaten, the external audit firm’s independence and objectivity arising through the provision of non-audit services, namely services which:

- create conflicts of interest between the external audit firm and the Group;
- result in the external audit firm functioning in the role of management;
- result in a fee which is material relative to the audit fee or to the compensation of the individuals performing the audit;
- place the external audit firm in the position of auditing its own work; or
- place the external audit firm in the position of being an advocate for the Group.

This policy applies to all companies and business areas within the Group and to all situations where we propose to engage with the external auditor for the provision of non-audit services.

The Committee requires that this policy be adhered to when considering whether it is appropriate for the external auditor to be appointed by the Group and in particular to undertake work outside of the scope of their usual and specific annual audit and half-yearly review activities.

The objective of the Policy is to:

- at all times maintain external auditor independence and objectivity;
- clearly set out both acceptable and prohibited non-audit services; and
- establish a transparent process for the engagement of the external auditor for non-audit services in accordance with established approval requirements.

Fees related to non-audit services will be subject to a cap of 70% of the average of the annual audit fees in the last three consecutive financial years. The application of this cap is also subject to additional legislative criteria. Annual audit fees, which are subject to Committee approval, are fees for the services that the external auditor would normally be expected to provide as part of its annual external audit programme for the Group and which would, in the normal course of business, be included within its standard terms of engagement.

This policy is in line with the recommendations set out in the EU Audit Regulation and Directive (2016) and the Financial Reporting Council's (FRC's) Revised Ethical Standard 2019 ("2019 Standard"). The 2019 Standard sets out a "whitelist" of permitted non-audit services. These services are largely those required by law and regulation, loan covenant reporting, other assurance services closely linked to the audit or annual report and reporting accountant services. There are complete bans for all audited entities on internal audit services, secondments and contingent fee arrangements.

### **Authorisation and Reporting**

The approval of the Audit Committee must be obtained before the external auditor is engaged to provide any permitted non-audit services.

Permitted services are those which:

- a) the external auditor is obliged to perform due to law or regulation; or
- b) could be done by others (for example interim reporting) but where there are significant efficiencies when carried out in combination with the external auditor.

Permitted services are explained in more detail below.

Prior to approval, the Audit Committee must apply judgement and be satisfied that the external auditor is best placed for the provision of the non-audit service and there are no threats to the external auditor's independence or objectivity.

Any of the following services can be approved by the Audit Committee Chair up to a fee limit of £50,000. Thereafter, Audit Committee approval is required:

- a) Audit related services, for example, reviews of interim financial information and reporting;
- b) Calculations required as part of the performance conditions of the Group's bonus and long-term incentive plans;
- c) Consultation on the accounting treatment or disclosure requirements of transactions or events (not including valuations of assets);
- d) Financial due diligence for acquisitions, disposals or joint ventures;
- e) Transaction related services;
- f) Advice and assurance on the interpretation and implementation of accounting standards, financial reporting matters and governance regulations; or
- g) Any certification required under Companies Act, loan agreement or bond covenants.

All other permitted non-audit services, must be approved in advance by the Audit Committee following recommendation by the Group Finance Director. Such recommendation must be in writing and must contain the following information:

- a) nature and details of the non-audit services;
- b) estimated fees;
- c) explanation of why the external auditor is considered the most suitable supplier; and
- d) a statement on why the engagement will not impair the external auditor's independence and objectivity.

The Audit Committee will review an up to date schedule of non-audit fees paid for the current financial year and the previous three financial years, and the audit fee for the previous three financial years at least annually or more frequently if required. The schedule should include the nature of the non-audit services provided, the related fee and total fees in aggregate and as a percentage of the approved audit fee.

The Committee will report on the annual amount paid to the external auditor in the Company's Annual Report in respect of audit services, audit-related services and non-audit services and explain how, when the external auditor provided non-audit services, its independence and objectivity was safeguarded.

In accordance with its terms of reference, the Audit Committee will review annually the independence and objectivity of the auditor taking into account all relationships between the Company and the audit firm.

### **Prohibited Non-Audit Services**

Prohibited non-audit services shall mean:

- 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 audit firm in respect of such services is required by law;
  - v) support regarding tax inspections by tax authorities unless support from the audit firm in respect of such inspections is required by law;
  - vi) calculation of direct and indirect tax and deferred tax;
  - vii) provision of tax advice;
- b) services that involve playing any part in the management or decision making of the Group;
- 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 Group; and
  - iii) acting in an advocacy role in the resolution of litigation;
- h) services related to the Group's internal audit function;
- i) services linked to the financing, capital structure and allocation, and investment strategy of the Company, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the Group;
- j) promoting, dealing in, or underwriting shares in the Group;
- 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.

## Permitted Non-Audit Services

### Services required by law or regulation and exempt from the non-audit services cap

- a) Reporting required by a competent authority or regulator under law or regulation for example;
  - i) Reporting to a regulator on client assets
  - ii) in relation to entities regulated under the Financial Services and Markets Act 2000 (FSMA), reports under s166 and s340 of FSMA;
  - iii) Reporting to a regulator on regulatory financial statements;
  - iv) Reporting on a Solvency and Financial Condition Report under Solvency II.
- b) 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;
- c) Reporting on internal financial controls when required by law or regulation;
- d) Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports;
- e) 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;
- f) Services which support the entity in fulfilling an obligation required by UK law or regulation, including listing requirements where:
  - i) the provision of such services is time critical;
  - ii) the subject matter of the engagement is price sensitive; and
  - iii) 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

- a) Reviews of interim financial information; and providing verification of interim profits not otherwise required by law or regulation;
- b) 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;
- c) 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;
- d) 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;
- e) Reporting on government grants;
- f) 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;

- g) 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);
- h) Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.

Approved by the Audit Committee on 19 March 2020