

**Morgan Sindall Group plc**

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

**As adopted at a meeting of the Audit Committee on 12 February 2013 and amended 1 December 2016**

**Introduction**

Morgan Sindall Group plc is committed to ensuring that the provision of non-audit services by the external auditor does not impair the external auditor's independence or objectivity.

The policy provides guidance on the type of work that it is acceptable for the external auditor to undertake, and to provide clarity on the process to be followed for approval. The policy seeks to define services that the auditor may not undertake under any circumstances, and also audit-related services which are likely to be less contentious.

This policy applies to the Company and its subsidiaries and to all joint venture companies in which the Group has a shareholding to the extent that the Group has the power to select appointments for the JV's external auditor ('the Group'). In any event, all fees paid by all JV companies within the Group to the external auditor for non-audit services should be reported to the committee as referred to below.

If a member of the staff from the Group or the Group's wholly owned subsidiaries plans to use the external auditor to provide any prohibited services, the member of staff should inform the Group Financial Controller and the Finance Director prior to engaging the external auditor.

This policy will be reviewed on an annual basis by the Audit Committee.

**Auditor Independence**

Within certain parameters, the Group's external auditor can be used for certain non-audit services. However, independence may be perceived as being compromised if the non-audit services carried out by the Group's auditor is extensive.

The external auditor, or any related company with whom the auditor is associated, should not therefore carry out work that does not relate directly to the discharge of audit functions, if it would impair the auditor's independence, or might give rise to a reasonable perception that their independence could be impaired.

No service provided by the external auditors should be the subject of a contingent fee.

**Prohibited services**

The following services cannot be provided to the Group or the Group's wholly owned subsidiaries by the external auditor:

1. bookkeeping and preparing accounting records and financial statements
2. payroll services
3. 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

4. valuation services, including valuations performed in connection with actuarial services or litigation support services
5. tax and tax compliance services including
  - a) preparation of tax forms
  - b) payroll tax
  - c) customs duties
  - d) identification of public subsidies and tax incentives unless support from the audit firm in respect of such services is required by law
  - e) support regarding tax inspections by tax authorities unless support from the external auditor or audit firm in respect of such investigations is required by law
  - f) calculation of direct and indirect tax and deferred tax
  - g) Provision of tax advice
6. Services that involve playing any part in the management or decision-making of the audited entity
7. Legal services with respect to
  - a) the provision of general counsel
  - b) negotiating on behalf of the audited entity
  - c) acting in an advocacy role in the resolution of litigation
8. Services related to the audited entity's internal audit function
9. 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 Company
10. Promoting, dealing in or underwriting shares in the audited entity
11. Human resources services with respect to
  - a) management in a position to exert significant influence over the preparation of the accounting records or financial statements that are the subject of the statutory audit, where such services involve
    - I. searching for or seeking out candidates for such positions
    - II. undertaking reference checks of candidates for such positions
  - b) structuring the Group design
  - c) cost control
12. Any other work that is prohibited by UK ethical guidance

If a JV is going to use the external auditor to provide any prohibited services, they must notify the audit committee prior to appointment with details of the fees and services to be provided.

### **Audit related services**

Audit related services are assurance services which are closely related to or a natural extension of the audit firm's work as auditor and would not be considered a threat to the auditor's independence or objectivity. They usually result in a certification or specific opinion on an investigation and include the following:

- Reporting required by law or regulation to be provided by the auditor;
- Reviews of interim financial information;
- Reporting on regulatory returns;
- Reporting to a regulator on client assets;
- Reporting on government grants;
- Reporting on internal financial controls when required by law or regulation;
- Extended audit work that is authorised by those charged with governance performed on financial information<sup>56</sup> and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

**Permitted services**

All services, other than those falling within the audit related services or prohibited services above are classified as 'permitted services'. Examples of such services include:

- due diligence investigations related to potential acquisitions, disposals or joint ventures;
- attestation reports, control compliance or reasonableness reports as required by third parties; and
- project assurance and advice on business process improvement

The external auditor is eligible for selection to provide permitted non-audit services to the extent that their skills and experience make them a competitive and most appropriate supplier of these services.

**Approval of services**

The external auditor is required to seek approval from the Group Finance Director (Group FD) in advance of starting work on any assignment within the Group.

The threshold for requiring the approval of the Audit Committee for audit related services and permitted services provided by the external auditor to the Group will be £50,000\*. The Group FD can approve any individual assignment within these categories up to the threshold. In addition, the Group FD may, at his discretion, discuss the award with the chair of the audit committee.

Where the fee for an individual assignment exceeds the threshold, or where the cumulative spend exceeds £100,000\* the audit committee needs to approve the appointment in advance of the work commencing.

Where urgent matters arise, the committee has delegated its authority to the chairman of the audit committee between meetings. Such pre-approval should be ratified at the next meeting of the audit committee.

\*Irrespective of the financial threshold above, if there is any doubt as to whether the external auditor has a conflict of interest, which may threaten independence of the external auditor, approval by the audit committee is required.

**Reporting and independence**

The external auditor will be responsible for maintaining detailed records of all non-audit services undertaken and for ensuring they do not undertake any of the work proscribed above. They will be responsible for advising the Group FD if a request for them to undertake non audit work will result in the limits set by the audit committee being exceeded.

The external auditor will provide the audit committee with a breakdown of all non-audit services at each audit committee meeting as a standing agenda item

The external auditor is requested to confirm their independence in writing at the meeting where they present the external audit plan, and at the meeting where the results of the audit are reported prior to the audit opinion being finalised.

**Disclosure**

The Company will report annually on the Group's annual expenditure with the external auditor on non-audit services and will explain how, when the external auditor provides non-audit services, external auditor independence and objectivity is safeguarded and the disclosure in the annual report will disclose the nature of non-audit services rendered by auditors.