

LENTA LIMITED

POLICY ON THE USE OF THE EXTERNAL AUDITOR FOR NON-AUDIT SERVICES

1 INTRODUCTION

- 1.1 The FRC's Guidance on Audit Committees recommends that procedures be adopted for the provision of non-audit services provided by the external auditor to ensure that such matters do not impair the external auditor's independence or objectivity. This policy is to assist the Group's control over such matters.
- 1.2 Under the (Companies Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008, as amended by the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2011 (the 'Regulations'), the Company is required to disclose the remuneration received by the external auditor, or any associate of the external auditor, in its Annual Report and Accounts split between fees payable for the audit and fees payable for other services.
- 1.3 "Audit Fees" are defined as the remuneration received for the audit of the financial statements of the Group and its subsidiaries.
- 1.4 "Fees for Other Services" fall into eight categories as set out in Schedule 2A to the Regulations and include the audit of regulatory returns, review of interim results, due diligence work for acquisitions, general accounting advice, including application of new accounting standards, tax compliance support, assurance reviews on compliance and controls, and any work in connection with listing particulars and public documents.

1 AUDIT FEES

- 2.1 The Chief Financial Officer (or his equivalent) shall negotiate the annual Audit Fees for the Company and each subsidiary. The Chief Financial Officer (or his equivalent) shall recommend the overall fee for the statutory audit to the Audit Committee. It is the responsibility of the Audit Committee to review the proposed statutory audit fee and approve it.
- 2.2 The Audit Committee shall review the independence and effectiveness of the external auditor on an annual basis.

3. FEES FOR OTHER SERVICES

- 3.1 When assessing non-audit services for approval the Audit Committee and, where appropriate, the Chief Financial Officer (or his equivalent) will take the following into consideration:
 - a) whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;

- b) whether there are safeguards in place to ensure that no threat to the objectivity or independence of the audit results from the provision of such services by the external auditor;
 - c) the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit fee; and
 - d) the criteria which govern the compensation of the individuals performing the audit.
- 3.2 The following non-audit services may be provided by the external auditor:
- a) review of half-yearly financial information;
 - b) reporting required by law or regulation to be provided by the external auditor;
 - c) reporting on regulatory returns;
 - d) reporting to a regulator on the Company's or its Subsidiary's assets;
 - e) reporting on internal financial controls when required by law or regulation;
 - f) work in connection with listing particulars, circulars and prospectuses;
 - g) reviews commissioned by the Audit Committee;
 - h) advice and assurance on the interpretation of accounting standards, financial reporting matters, tax and governance regulations;
 - i) attestation reports, control compliance or reasonableness reports as required by third parties;
 - j) professional training services including, but not limited to, accounting and reporting updates, and service line specific training; and
 - k) market research reporting such as competitor and service benchmarking and surveys.
- 3.3 Any new engagement with the external auditor in excess of \$100,000 (or currency equivalent) for an individual service or specific project in any of the above categories must be approved in advance by the Chief Financial Officer (or his equivalent) and the Chairman of the Audit Committee, or a sub-committee consisting of any two members of the Audit Committee.
- 3.4 Up to a limit of \$100,000 (or currency equivalent) for an individual service or specific project in any of the above categories, such engagement must be approved by the Chief Financial Officer (or his equivalent).
- 3.5 Any project or engagement with the external auditor that is not covered by the categories set out in 3.2 above in excess of \$20,000 (or currency equivalent) for an individual service or specific project or any contingent fee arrangements with the external auditor must be approved in advance by the Audit Committee or a

sub-committee consisting of any two members of the Audit Committee. Projects or engagements falling within this category include, but are not limited to, advice and assurance in respect of direct and indirect tax matters, and assistance with financial and tax due diligence investigations related to potential acquisitions, disposals or joint ventures.

- 3.6 Up to a limit of \$20,000 (or currency equivalent) for an individual service or specific project not covered by the categories set out in 3.2 above or 3.6 below, the engagement must be approved by the Chief Financial Officer (or his equivalent). In addition, any project or engagement falling within 3.4 in excess of \$100,000 (or currency equivalent) can only be awarded to the external auditor after competitive tender.
- 3.7 The following non-audit services may not be provided by the external auditor:
- a) book keeping or other services related to accounting records, financial statements or valuations that will be included in the financial statements;
 - b) management of, or significant involvement in, actuarial or internal audit services;
 - c) secondments to management positions that involve any decision-making;
 - d) any work where a mutuality of interest is created that could compromise the independence of the external auditor;
 - e) valuations that will be included in the financial statements;
 - f) legal, broker, investment adviser and investment banking services;
 - g) services related to litigation or legal support, recruitment or remuneration;
 - h) the provision of advice on large IT systems; and
 - i) any other work which is prohibited by UK ethical guidance.
- 3.8 In reviewing the non-audit services which the external auditor may not provide, the Audit Committee will in principle be unlikely to give approval for non-audit services which would result in:
- a) the external auditor auditing its own firm's work;
 - b) the external auditor making management decisions for the Company or its subsidiaries;
 - c) a mutuality of interest being created; or
 - d) the external auditor being put in the role of advocate for the Company.
- 3.9 The Audit Committee shall receive a six-monthly report analysing fees paid for Other Services to an external auditor or reporting accountant, with additional commentary on assignments agreed during the period.

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