

HSS Hire Group plc

Policy for non-audit services provided by the Group's external auditors

Section	Corporate
Subsection	Governance
Procedure	Policy for non-audit services provided by the Group's external auditors
Version	1
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Action	Mandatory
Background	<p>This note sets out HSS Hire Group plc's (the "Group") policy on the use of its external auditors for non-audit services. It has been produced in accordance with the Audit Committee's terms of reference which indicate that amongst other roles and responsibilities, the Audit Committee should:</p> <p><i>"develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;</i></p> <p>The Group's terms of reference mirror Code provision C.3.2 of the UK Corporate Governance Code (September 2014) in this respect.</p>
Applies to	All colleagues

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1. Objective

The objective of this policy is to ensure that if and when the Group's external auditors are engaged to provide non-audit services the provision of those services does not impair or be seen to impair the independence and objectivity of the Group's external auditors. This policy will be reviewed from time to time and its application will be monitored by the Audit Committee.

It is recognised that the external auditors will have a significant understanding of the Group's business and finances and that this background knowledge and experience could be utilised to the Group's advantage in many areas. The external auditors also have a professional code of conduct, and their own internal independence controls which assists them in the management of any potential conflicts of interest.

However, there is a need to balance these advantages against the requirement to maintain safeguards in those areas where an external party or parties could perceive that the external auditors' independence and judgment may have been impaired through the award of non-audit engagements.

This policy, therefore, sets out guidance on those engagements that the external auditors may be asked to undertake ("Permitted Engagements", see section 2. below) and those engagements where the Group's external auditors should not be considered for appointment ("Excluded Engagements", see section 3. below), principally because of the self-review threat that these types of engagement could introduce.

The Audit Committee recognises that there may be specific engagements that fall between these two categories where for certain reasons it is appropriate to consider the appointment of the Group's external auditors. These engagements, of which a number of examples are provided in section 4. below, are referred to as "Potential Engagements". The factors that will be considered by the Audit Committee when assessing Potential Engagements are also set out in section 4. below.

2. Permitted Engagements

These are engagements where the Group's external auditors can be appointed without the consultation of 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; or
- Accounting, forensic and control investigations

3. Excluded Engagements

These are engagements where the Group's external auditors should not be considered for appointment.

- Maintaining or preparing financial accounts;
- Provision of out-sourced financial systems or operational management functions;
- Selection, design or implementation of major financial and/or IT systems;
- Provision of internal audit services or risk management assessment and monitoring services (other than advice on process);
- Recruitment or secondment of senior management;
- Remuneration advice in respect of senior management;
- Valuation services;
- Litigation support; or
- Any other services specifically prohibited by UK or other relevant legislation or regulation

4. Potential Engagements

These are engagements where, after careful consideration of identified factors, the Audit Committee may choose to appoint the Group's external auditors.

For specific circumstances where it may be appropriate to consider the appointment of the Group's external auditors the list below identifies those factors that should be considered by the Audit Committee:

- Whether the skills and experience of the audit firm make it a suitable supplier for the engagement and are assessed to be at least equal to those that can be provided by alternative service providers;
- Whether there are no potential conflicts, or threats to objectivity and independence in the conduct of the audit, resulting from the engagement;
- Whether the fee levels, and the basis of charging such fees, proposed for the engagement are appropriate individually and in aggregate relative to the audit fee (see Ratio of Audit to Non-Audit fees);
- That the lead partner for the engagement is not the same person as the lead audit partner; and
- That the external auditors are subject to the Group's normal competitive tendering processes

Examples of engagements where it may be appropriate to consider the appointment of the Group's external auditors, after careful consideration of the above factors are as follows:

- Corporate finance / M&A activity;
- Transaction support and advisory work, such as due diligence;
- Corporate tax compliance services and advice on liaison with the Inland Revenue;
- Tax planning and structure advice in respect of both direct and indirect taxes; or
- General consulting and systems projects (excluding major financial systems and/or IT engagements as described in 3.)

Approval process

For any engagements where the above factors have needed to be considered, and fees are in excess of £50,000, or where the fee is contingent in full or in part on success, such engagements must be pre-approved by the Chief Financial Officer AND the Audit Committee before the external auditors are engaged.

If approval is required between Audit Committee meetings, the Chief Financial Officer AND the Audit Committee Chairman may pre-approve the project, with ratification by the Audit Committee at its next meeting.

5. Ratio of Audit to Non-audit fees

The Group also wishes to ensure that non-audit fees payable to the Group's external auditors are retained within reasonable bounds relative to the audit fee. The level of such fees will be monitored by the Chief Financial Officer and the Audit Committee.

While there is no predetermined value limit, the Group's policy is that non-audit fees paid to the Group's external auditors within a financial year should total no more than 50% of the average annual audit fees billed by the Group's external auditors over the last three years.

6. Annual monitoring of compliance

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