

Audit and non-audit services

Our external group auditor is permitted to provide certain audit and non-audit services as detailed in this policy.

Audit services

The audit of the consolidated financial statements of East Surrey Holdings Group and the financial statements of its subsidiaries (including SES Water plc), associates, joint ventures and other associated entities such as pension funds.

Non-audit services

The FRC's Ethical Standard allows certain non-audit services which may be audit related (e.g. assurance services or other work traditionally provided by external auditors that often result in a certification or specific opinion) to be provided by the external group auditor, in some cases subject to a cap (see below). Non-audit services that may be provided by the external auditor and which are **not** subject to the cap include:

- Reporting required by law or regulation to be provided by the auditor;
- Reporting on regulatory reports;
- Reporting on internal financial controls when required by law or regulation;
- Reporting on iXBRL tagging of financial statements; and
- Services which support the entity in fulfilling an obligation required by UK law or regulation, including listing requirements (under certain conditions).

Non-audit services that may be provided by the auditor but **are** subject to a cap include:

- Reviews of interim financial information;
- 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;
- 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;
- Reporting on government grants, loan or covenant agreements; and
- Where not otherwise required by law or regulation, non-audit and additional services, as defined in the Ethical Standard provided as external 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.

The external group auditor, and any subsidiary auditor whose work the external group auditor relies upon, can be appointed to perform these non-audit services without the requirement of a separate tender process, under the arrangements made for audit services.

Prohibited non-audit/additional services

The Ethical Standard outlines a number of non-audit or additional services that **cannot** be provided by the external group auditor, and any subsidiary auditor whose work the external group auditor relies upon. These include:

- Tax services relating to:
 - Preparation of tax forms;
 - Payroll tax;
 - Customs duties;
 - Identification of public subsidies and tax incentives unless support from the audit firm is required by law;
 - Support regarding tax inspections by tax authorities unless support from the audit firm is required by law;
 - Calculation of direct and indirect tax and deferred tax; and
 - Provision of tax advice.
- Services that involve playing any part in management or decision-making of the audited entity.
- Bookkeeping and preparing accounting records and financial statements.
- Payroll services.
- 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.
- Valuation services, including valuations performed in connection with actuarial services or litigation support services.
- Legal services, with respect to:
 - Provision of general counsel;
 - Negotiating on behalf of the audit entity; and
 - Acting in an advocacy role in the resolution of litigation.
- Internal audit function.
- Services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity.
- Promoting, dealing in, or underwriting shares in the audited entity.
- Human resources services with respect to:
 - Management in a position to exert significant influence over the preparation of accounting records or financial statements which are the subject of the audit, where such services involve:
 - Searching for or seeking out candidates for such positions; or undertaking reference checks of candidates for such positions.
 - Structuring the organisation design; and
 - Cost control.

Fee cap for non-audit services

There is a cap on permitted non-audit service fees of the external group auditor based on 70% of the average of the audit fees for the preceding three years. This cap will not apply until the year commencing March 2023 when it will be based on the average of audit fees for the years ending 31 March 2020, 2021 and 2022.

Paul Kerr
Chief Financial Officer