

## 1 Introduction and Standard rationale

Harbour Energy Plc is a UK listed entity (defined as a Public Interest Entity (PIE) under relevant legislation) and is required to comply with relevant legislation with regard to the engagement of its external auditors for non-audit services<sup>1</sup>.

The Audit and Risk Committee (ARC) is responsible for approving non-audit services. The purpose of this Standard is to ensure that the provision of non-audit services by external auditors does not impair, and is not perceived to impair, the external auditors' independence or objectivity. In the context of non-audit services that are not prohibited by law, the ARC will apply judgement concerning the provision of such services, including an assessment of:

- Threats to independence and objectivity resulting from the provision of such services and any safeguards in place to eliminate or reduce these threats to a level where they would not compromise the external auditors' independence and objectivity
- The nature of the non-audit services
- Whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service
- The fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee, including special terms and conditions (for example contingent fee arrangements)
- The criteria which govern the compensation of the individuals performing the audit

A proposal to engage external auditors to provide a non-audit service that could give rise to a threat of any significance to the external auditors' independence and objectivity must be approved by the ARC regardless of the proposed fee. The external auditors will also be required to confirm to the ARC that they can provide the service without threat to their independence, the Financial Reporting Council's Revised Ethical Standard, before proceeding.

## 2 General requirements

Schedule 1 sets out the categories of services that may, or may not, be provided by external auditors under this Standard. The categories have been prepared in accordance with relevant legislation, and in considering services that may impact on the external auditors' independence or objectivity.

### 2.1 Permitted non-audit services (schedule 1, categories 1 and 2)

Services set out in schedule 1, categories 1 and 2, may be provided by external auditors with prior clearance from the Chairperson of the ARC. A request to engage external auditors for permitted non-audit services must be submitted to the Group Financial Controller and Company Secretary. The request will then be submitted to the Chairperson of the ARC, advising the category of the engagement and including the proposed engagement fee alongside an update on expenditure on non-audit fees during the year to date, relative to average of the last three years' audit fees.

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<sup>1</sup> The Statutory Auditors and Third Country Auditors Regulations 2016 (SATCAR 2016).

For any service falling within schedule 1, category 2, the Chairperson of the ARC will consider section 1 of this Standard and the following prior to approval of the engagement being provided:

- Whether the non-audit services have a direct or material effect on the audited financial statements
- How the ARC will assess and explain the estimation of the effect on the financial statements
- How it will consider the external auditors' independence and objectivity

The external auditors may not be engaged to provide a non-audit service when the objectives of the service would be regarded by a reasonable and informed third party as conflicting with the objectives of the audit. This would be the case in particular when the outcome of the service would have a material effect on the preparation or presentation of the financial statements.

In addition, the external auditors may not be remunerated on a contingent fee basis.

### 2.2 Prohibited non-audit services (schedule 1, category 3)

The external auditors shall not be used to provide the services outlined in schedule 1, category 3. In addition, it may not be in the interests of Harbour to engage its external auditors to carry out other services where there is a conflict of interest due to a relationship with another client of the external auditors.

## 3 Fees and reporting

A report on cumulative annual non-audit related expenditure will be provided at each meeting of the ARC for ratification by the ARC. The report will include the engagements entered into thus far during the year, the category of work (by reference to schedule 1), the fee incurred or to be incurred and the current ratio of non-audit work fees relative to the expected annual audit fee.

Policy Owner	Audit & Risk Committee
Date of Last Review	November 2020

## The provision of non-audit services by the external auditors Standard

### Schedule 1

The provision of non-audit services by the external auditors		
Category 1 – permissible services required by law or regulation	Category 2 – permissible non-audit services outside of category 1	Category 3 – prohibited non-audit services <sup>2</sup>
<p>Services in this category would typically be carried out by members of an external auditors' team, where the work involved is required to be performed by the external auditor by law or regulation.</p> <p>Services falling in this category include, reporting:</p> <ul style="list-style-type: none"> <li>• Required by law or regulation to be provided by the external auditors</li> <li>• On regulatory returns</li> <li>• To a regulator on client assets</li> <li>• On internal financial controls when required by law or regulation</li> <li>• On historical financial information and pro-forma statements in relation to a public document required by the United Kingdom Listing Authority (UKLA) or similar</li> </ul>	<p>Any services that do not fall within category 1 and are also not prohibited (category 3). Any service falling in this category will only be permitted by the Chairperson of the ARC when the external auditors have properly assessed any threats to their independence and objectivity. The Chairperson of the ARC will then make their own assessment of the proposed service(s) considering sections 1 and 2.1 of this Standard.</p> <p>Services falling in this category include:</p> <ul style="list-style-type: none"> <li>• Reviews of interim financial information</li> <li>• Reporting on government grants</li> <li>• Extended audit work that is authorised by those charged with governance performed on financial information<sup>3</sup> and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions</li> <li>• Agreed upon procedures</li> <li>• Reporting on working capital statements, Financial Prospects, Procedures and Policies (FPPP) and other routine work streams associated with a public document required by the UKLA or similar</li> </ul>	<p>The following are prohibited non-audit services:</p> <ul style="list-style-type: none"> <li>• Certain consultancy and advisory services and the majority of tax services<sup>4</sup></li> <li>• Services that involve any part in the management or decision-making of the audited business</li> <li>• Services linked to financing, capital structure and allocation, and investment strategy of the audited business</li> <li>• Bookkeeping and preparing accounting records and financial statements/payroll services</li> <li>• Legal, internal audit, and human resources services</li> <li>• Designing and implementing internal controls related to financial information or designing and implementing financial information technology systems</li> <li>• Valuation services</li> <li>• Promoting, dealing in or underwriting shares in the audited business</li> </ul>

<sup>2</sup> Full detail on prohibited non-audit services for Public Interest Entities is set out in paragraphs 5.165 to 5.173R of the FRC's Revised Ethical Standard 2016 (pp 115-118).

<sup>3</sup> This does not include accounting services.

<sup>4</sup> Including: preparation of tax forms; payroll tax; customs tax; identification of public subsidies and tax incentives unless support from the statutory auditor or audit firm in respect of such inspections is required by law; support regarding tax inspections by tax authorities unless support from the statutory auditor or audit firm in respect of such inspections is required by law; calculation of direct and indirect tax and deferred tax; and provision of tax advice. Note the derogation available under 5.168R albeit that it may be difficult to rely on this in practice.