

Audit, Risk and Internal Control

Letter from the Audit Committee Chair



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Audit Committee Meetings Held

Areas of Focus This Year

- Appointment of new Audit Committee Chair
- BEIS 'Restoring Trust In Audit and Corporate Governance'
- Anti-Bribery and Anti-Corruption and Sanctions

Key Responsibilities

- To review and oversee the Group's financial and narrative reporting processes, to monitor the integrity of the financial statements, and advise the Board on whether the Annual Report, taken as a whole, is fair, balanced and understandable
- To review the effectiveness of the Group's internal financial control systems and the work of the internal audit function
- To oversee the relationship with, and review the effectiveness of, the external auditor, monitor their independence and objectivity, and set the policy for non-audit work



Read more about our Committee Membership and Attendance on page 87

Dear Shareholder

On behalf of the Board, I am pleased to present this year's Audit Committee (the Committee) report, which will also be my last. During the year, in addition to our regular duties, we focused on the following matters:

Committee Membership

Following Denise Goode's decision to tender her resignation, in November 2021, I resumed the role of Audit Committee Chair whilst a successor was appointed. The independence of all Board members is regularly reviewed but my independence was subject to particular scrutiny when I resumed the role of Audit Committee Chair. The Board determined that I remained independent and continued to provide sufficient challenge to the Executive Team. I am pleased to report that the recruitment process resulted in the appointment of John Shipsey, who brings a wealth of financial and commercial experience to the business following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC and a number of senior finance and strategy roles over 20 years. John joined on 1 June 2022 to allow a smooth and orderly transition. John will be appointed as Chair of the Audit Committee upon my retirement on 5 September 2022.

BEIS 'Restoring Trust in Audit and Corporate Governance'

The Committee has considered how the implementation of BEIS 'Restoring Trust in Audit and Corporate Governance' would impact the Group, and has identified where the Group already meets the requirements, the gaps and the corresponding actions required to mitigate the gaps. The development and launch of a new Financial Control Framework during the financial year extends the scope of the Group's control standards. In the event that a control cannot be performed as intended, then the risk will be assessed and mitigating controls put in place, whilst options to implement the control as intended in the future are investigated and progressed.

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Anti-Bribery and Anti-Corruption and Sanctions

The Committee has received two updates during the year on the Company's Anti Bribery and Anti-Corruption processes, which it believes are operating effectively. As increased sanctions have been applied to Russia, the Committee has reviewed the policy on sanctions and obtained assurances that the Company's activities do not breach any of them.

Annual Report 2022

The following report sets out how the Committee has complied with the principles of the Corporate Governance Code 2018 and specifically provisions 25 and 26, and assisted the Board with its compliance in respect of provisions 24, and 27 to 31. We reviewed, at the request of the Board, whether the 2022 Annual Report was fair, balanced and understandable and concluded that it was. The basis supporting our conclusion is set out on page 122.

Should you have any questions in relation to this report or the Committee, please contact my successor as Audit Committee Chair, John Shipsey, or the Company Secretary.

Julian Heslop

Audit Committee Chair
5 September 2022

The Purpose and Function of the Audit Committee (the Committee)

Purpose

The Committee's key role is to review and report to the Board on financial reporting and internal financial control effectiveness, and to monitor the effectiveness of the external audit process and internal audit function.

Membership, Meetings and Attendance

The membership of the Committee, together with appointment dates and attendance at meetings, are detailed on page 87. John Shipsey joined the Committee on his appointment to the Board in June 2022, and Denise Goode left the Committee on her resignation from the Board on 30 November 2021. Alison Platt also resigned from the Committee on her appointment as Chair of the Company on 1 January 2022. All Committee members are Non-Executive Directors.

The Board considers that all members of the Committee are independent and have competencies relevant to the sector in which the Company operates. Julian Heslop has relevant financial experience as a result of his financial background and qualifications, and Ishbel Macpherson also brings financial experience to the Committee following her career as an Investment Banker. Lawson Macartney and Lisa Bright provide product development and commercialisation of pharmaceuticals experience, which support the Committee in meeting its objectives. John Shipsey brings recent and relevant financial experience to the Committee, following his recent tenure as Chief Financial Officer at FTSE100 Smiths Group PLC, and his previous experience in a number of senior finance and strategy roles. The biographies of all Committee members are detailed on pages 88 and 89.

The Company Secretary attends each meeting and acts as its secretary, assisting the Chair in circulating all papers prior to each meeting in a timely manner and providing advice on all governance related matters. Other members of the Board normally attend each meeting together with the PricewaterhouseCoopers LLP (PwC) External Audit Engagement Partner, the Group Financial Controller and the Head of Internal Audit and Risk Assurance. During the year, other employees also attended the meetings to provide updates on specific matters:

Attendee	Matter
Group IT Director	Cyber Security Update
Group Treasurer	Treasury and Group's Borrowing Facilities Update
Head of Tax and Transfer Pricing	Tax Strategy, Risk and Compliance Update
Head of Group Reporting	Reporting and Accounting Update
Senior Legal Counsel	Anti-Bribery and Sanctions Update

In addition, the Committee Chair meets with the Chief Financial Officer, the Head of Internal Audit and Risk Assurance and the External Audit Engagement Partner outside of the Committee meetings in order to understand fully the key topics to enable these subjects to be discussed meaningfully at the meetings.

The Committee meets with the external and internal auditors without management being present, after each scheduled meeting, to discuss their respective areas and any issues arising from their audits.

The Committee provides a report to the Board on its activities at the Board's next scheduled meeting.

Neither the Company nor its Directors have any relationships that impair the external auditor's independence.

Effectiveness of the Committee

The Committee's performance was evaluated as part of the internal review of the effectiveness of the Board and all its Committees that took place in 2022 (further details of which can be found on page 115 of the Governance Report). The evaluation confirmed that the Committee is functioning well, supported by a strong finance team, with meetings demonstrating good engagement from Non-Executive Directors, management and assurance functions. The evaluation also confirmed that the overall risk framework is well-embedded and adding value.

Role and Responsibilities

The main role and responsibilities of the Committee are set out in the written terms of reference, which are available in the Corporate Governance section of our Company's website (www.dechra.com). The Board reviewed the Committee's terms of reference at the December 2021 meeting and it was agreed that no changes would be made to them; however, it was noted that there was a technical non-compliance with the terms of reference as the Committee Chair had exceeded the nine year tenure limit in January 2022 and Ishbel Macpherson had exceeded the limit in February 2022. The Board concluded that Julian Heslop had in-depth expertise and had consistently shown independent judgement, and therefore deemed that Julian remained independent. The Board agreed that they considered Ishbel Macpherson as independent, and that her knowledge and understanding of City matters gained over 20 years' experience as an investment banker and subsequent considerable board experience provided an independent view on the Board discussions on financing and the financial risks of acquisitions.

The main responsibilities of the Committee are summarised on pages 104 and 117 of the Governance Report.

Major Activities of the Committee During the Year

The Committee met four times since the last Annual Report was issued. These meetings were scheduled meetings, and are generally timed to coincide with the financial reporting timetable of the Company. The Committee Chair and the Company Secretary have developed an annual programme of business. This allows the Committee to consider standing items of business alongside any exceptional matters that may arise during the course of the year.

At each meeting, the Committee reviews the following items routinely:

- status of statutory audits and reporting, global tax management and compliance;
- non-audit fees (including actual and projected spend); and
- the internal audit progress and assurance report.

Annual Programme of Business

August	December	February	April
<ul style="list-style-type: none"> • Review of preliminary results and announcement • Review of draft Annual Report • Review of external audit findings, report and representation letter • Confirmation of Going Concern and Viability • Fair, Balanced and Understandable Review • Compliance relating to financial statements • Review of final dividend and distributable reserves • External auditor effectiveness • Review of Risk Management process effectiveness • Auditor reappointment 	<ul style="list-style-type: none"> • Review of Committee Terms of Reference • Review and approval of interim plan of external auditor 	<ul style="list-style-type: none"> • Review of Half Year Results • Review of Interim dividend and distributable reserves • Review of Internal Controls • Review and approval of Internal Audit Charter 	<ul style="list-style-type: none"> • Approval of External Audit strategy, scope, fees and independence • Review of Committee Effectiveness • Tax, Treasury and GDPR Compliance Update • Review of Board's Risk Controls • Borrowing Powers Confirmation • Approval of internal audit plan

Audit, Risk and Internal Control

The table below shows the key areas of the Committee activities:

Purpose and Function (see page 118 and 119)	<ul style="list-style-type: none"> Review of the Committee's terms of reference Review of the effectiveness of the Committee 	<ul style="list-style-type: none"> BEIS Requirements 'Restoring trust in audit and corporate governance'
Financial and Narrative Reporting (see pages 121 and 122)	<ul style="list-style-type: none"> Review of the Accounting Treatment of R&D Projects and Technical Transfers Review of year end accounting treatment for acquisitions and licensing arrangements, non-underlying items and new accounting standards Review and endorsement of key judgements made by management in determining half-year and full year results Review of the Group's Half-Yearly Report and supporting papers Consideration of the Half-Year Review Memorandum prepared by the external auditor Review of the Group's preliminary statement, draft Annual Report (including the Audit Committee Report) for the year ended 30 June 2022 and management presentation to investors 	<ul style="list-style-type: none"> Consideration of the Audit Memorandum prepared by the external auditor, including: <ul style="list-style-type: none"> review of accounting treatment of non-underlying items assessment of acquired intangible assets and goodwill including impairment reviews undertaken accounting for licensing agreements commentary on the general control environment across the Group Fair, Balanced and Understandable recommendation of the Annual Report Review of Viability Statement process Review and commend the Going Concern and Viability Statements Review of the dividend policy and interim and final dividend proposals
Internal Controls and Risk Management (see page 122)	<ul style="list-style-type: none"> Review of Anti-Bribery and Anti-Corruption (ABC) and Sanctions policies ABC and Sanctions compliance update Half-year and full year review of internal financial controls Review of tax strategy and policy framework Review of treasury policy and practice 	<ul style="list-style-type: none"> General Data Protection Regulation (GDPR) compliance update Review and approval of the internal control and risk management statements Review of cyber security and adoption of NCSC 10 Step Framework
Internal Audit (see page 123)	<ul style="list-style-type: none"> Review of the Internal Audit Plan, completion of audit recommendations and effectiveness of Internal Audit 	<ul style="list-style-type: none"> Review and approval of Internal Audit Charter
External Audit (see pages 123 and 124)	<ul style="list-style-type: none"> Review and approval of PwC Half-Yearly review plan Review and approval of PwC full year external audit strategy (including timetable, risk assessment, materiality, scope and fees) Review of findings from the external audit 	<ul style="list-style-type: none"> Review of the external audit effectiveness Review of external auditor's independence and level of non-audit fees Review of the non-audit work and fee policy Discussion in relation to the Company's expectations of the external auditor and audit process

BEIS 'Restoring Trust in Audit and Corporate Governance'

The Committee has considered the requirements based on the initial consultation document and is now considering the draft Audit Reform Bill published on 31 May 2022. This includes assessments and planning for the requirements relating to strengthening our Internal Control Framework and Fraud Prevention Measures, a Resilience Statement, Dividends and Capital Maintenance, and an Audit & Assurance Policy.

ESEF Reporting

The Committee has considered the new requirement to prepare the Company's consolidated financial statements in digital form and is satisfied that the necessary actions have been taken including the appointment of a third party.

Financial and Narrative Reporting

All significant matters that the Committee considered during the year were supported by relevant justification papers and were fully discussed so that due and appropriate consideration was given before any decision was approved. Further detail in relation to a number of significant matters is provided below.

Financial Judgements

The Committee reviewed both the half-year and the annual financial statements. This process included an analysis by management of key judgements made in determining the results. The Committee reviewed this in detail and endorsed management's judgements.

The Committee gave particular attention to significant matters where judgement was involved, which were complex in nature, or where alternative performance measures (APMs) were provided to enhance investors' understanding of the underlying performance. The Group uses various non-GAAP APMs within internal management reporting, the Half-Yearly Report and the Annual Report. The objective of these APMs is to isolate the impact of exceptional, one-off or non-trading related items, to allow the Board and users of the accounts to understand better the underlying performance of the business. The Group also uses constant exchange rate growth percentages to eliminate the impact of exchange rate fluctuations and to show the underlying business growth. These matters were well supported by briefing papers provided by management and were specifically reviewed and agreed by the external auditor in their reports to the Committee and in related discussions.

The key matters reviewed are shown in the table below:

Significant risks considered by the Committee in relation to the financial statements	Corresponding actions taken by the Committee to address the issues
Review of the carrying value of intangible assets and goodwill of £730.5 million, which represents 56.5% of total Group assets.	The Committee reviewed management's process for reviewing and testing goodwill and other intangible assets for potential impairment. In respect of assets not subject to amortisation, it reviewed the papers provided by management and noted the headroom between the value in use and the carrying value of goodwill. In addition, it considered the ongoing viability of capitalised R&D projects compared to their carrying value. Finally, it reviewed the process adopted by management to review amortised assets for impairment. It endorsed management's conclusion that no impairment of these assets had taken place. The Committee considered PwC's report on these matters.
Review of the remeasurement of the intangibles and associated contingent consideration for the licensing transactions, which were remeasured during the year.	The Committee reviewed the accounting basis of the adjustments, which supported the remeasurements and considered the appropriateness of the accounting treatment.
Valuation and accounting for the acquired commercial licensing agreement intangibles of £96.1 million together with the related contingent consideration.	The Committee reviewed the calculations and agreed the accounting treatment for the assets acquired and their useful economic lives.
Review of the corporate tax rate for the year being a charge of 25.0% (22.5% on underlying operations).	The Committee discussed the key risks in respect of corporate tax and reviewed that appropriate controls were in place to confirm that taxation calculations were not materially misstated. Areas where significant judgements, such as uncertain tax positions, had been applied were reviewed and challenged, and external audit work and conclusions were considered. The Committee reviewed progress in settling outstanding transfer pricing and other matters.
In order to assist investors with a better understanding of the underlying performance of the business, management present within the financial statements figures for underlying profit and earnings. These measures are reconciled to the figures provided in the financial statements and exclude items such as impairment and amortisation of acquired intangible assets and related contingent consideration, acquisition costs, manufacturing cloud computing arrangement costs, and the fair value uplift on inventory acquired through business combinations.	The Committee reviewed the basis for calculating the underlying figures and its consistency with the previous year's figures. It also sought confirmation from the external auditor, PwC, that they were satisfied that the application of the accounting policy relating to this treatment was appropriate. The Committee also reviewed to see if there were any material one off income or costs within the underlying results meriting separate disclosure and endorsed management's conclusion that there were no such items during the year.

Audit, Risk and Internal Control

Going Concern and Viability Statements

The Committee reviewed the Group's Going Concern and Viability Statements set out on pages 49 and 81 of the Strategic Report. In considering the Viability Statement, the Committee paid particular attention to the robustness of the stress testing scenarios, the cash flows forecast by the business and the committed bank facilities available to the Group in the period under review and management's conclusion that it would be able to refinance the £340.0 million revolving credit facility, which is currently committed until July 2024. The external auditor reviewed management's assessment and discussed their review with the Committee.

Fair, Balanced and Understandable Assessment of the Annual Report

At the request of the Board, the Committee considered whether the 2022 Annual Report was fair, balanced and understandable and whether it provided the necessary information for shareholders to assess the Group's performance (pages 42 to 49), business model (pages 22 to 25) and strategy (pages 26 to 34).

The Committee based its assessment on a review of the processes and controls put in place by management. These included:

- the relevant senior management providing information on their own business units and their confirmation that it was fair, balanced and understandable; and
- the Executive Directors and Company Secretary providing confirmation that each section of the report has been subject to a rigorous review process built around four tiers:
 - ongoing internal review by members of the Annual Report project team;
 - Board review of the Annual Report with all comments received being considered by the owners of the respective reports;
 - external review by advisers, including the external auditor; and
 - a final review by all members of the Senior Executive Team (SET).

The above was an integral part of the process and each tier was invited to comment so that issues could be debated and a final assessment made. The Annual Report project team concluded that the 2022 Annual Report met the fair, balanced and understandable test. In addition, all members of the SET concluded that it met the fair, balanced and understandable test.

An integral part of the process was the Committee's final review; other Board members and the external auditor were invited to comment so that issues could be debated and a final assessment made. The Committee was satisfied that all material matters, which had been disclosed in the SET's reports to the Board throughout the year, had been adequately reflected in the Annual Report and that the business model, strategy and the Group's performance were correctly reflected and clearly presented.

PwC have also concluded that the fair, balanced and understandable statement is materially consistent with the financial statements and with the knowledge they gained during their audit and their report can be found on pages 156 to 164.

This assessment was carried out by the Committee on 30 August 2022, following which the Committee reported to the Board that it was satisfied that, taken as a whole, the 2022 Annual Report is fair, balanced and understandable.

Internal Controls and Risk Management

The Board retains overall responsibility for the management of the Group's risk management and internal control framework, and has delegated the ongoing monitoring and review of the effectiveness of the Group's internal financial controls to the Committee.

The Group's risk management and internal control processes include:

- confirmation that the rolling programme of risk and control reviews by the Board has been completed;
- a review of the SET's assessment of material internal control effectiveness;
- a review of the Going Concern and Viability Statements, together with the financial stress testing conducted to support these statements; and
- a review of baseline financial controls and management representations as to their effectiveness across the Group.

During the 2022 financial year, a Financial Control Framework has been launched. This framework extends the scope of the baseline controls standards to an increased number of controls. Prior to launch, the Divisional Finance Directors undertook an initial review and confirmed that the majority of the controls were in place or there were other controls that would mitigate the risk.

The Committee has continued to oversee the Group's adoption of the NCSC 10 Step Framework, and other mitigating actions. The Committee was provided with management assurances on the key risk areas and concluded that the mitigating controls were appropriate, and that the financial control framework remains effective.

The Committee confirms that it has not been advised of, or identified, any failings or weaknesses which it would classify as significant to the Group's internal control system. The Committee further confirms that the Group's internal control systems have been in place for the year under review and up to the date of approval of this Annual Report and Accounts are in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting issued by the FRC.

Further details in respect of the Group's risk management and internal control processes are provided on pages 75 to 77 of the Strategic Report, along with the principal risks, controls and mitigating actions and emerging risks. The Board's statements on the effectiveness of these processes are provided on page 92 of the Governance Report.

Review of Policies and Procedures

During the year, the Committee undertook the annual review of the Group Tax Policy and Strategy, the Group Treasury Policy, the Sanctions Policy, the Anti-Bribery and Anti-Corruption (ABC) Policy and the Third Party Code of Conduct.

The Committee is provided with regular updates on the outcomes of the risk assessments as part of both ABC and Sanctions due diligence processes, as well as updates to procedures. During the year, all relevant employees have been required to complete the ABC e-learning courses. The Committee has monitored completion rates during the year of the ABC and Pharmacovigilance courses.

Internal Audit Function

The Internal Audit and Risk Assurance function provides objective assurance and advice on the management of the Group's risks and its systems of internal control. Internal Audit operates a co-sourced arrangement with KPMG LLP with a mix of seconded and specialist resources to provide a flexible resource model and access to specialist expertise and language skills in worldwide geographies. In accordance with a strategy to develop the Internal Audit function in line with projected business growth, an additional in-house resource will be recruited in the 2023 financial year. This will bring the team to three permanent employees and one overseas contractor.

Internal Audit Plan

Internal Audit operates a three year assurance plan, which seeks to provide balanced coverage of the Group's material financial, operational and compliance control processes. It consists of a rolling programme of core assurance activities, together with initial control reviews on new acquisitions and reviews of major business process and systems changes. The annual audit plan, which defines the specific assurance projects to be delivered each financial year, is developed from the three year plan. The annual plan for the year to June 2023 was approved by the Committee in April 2022, and was based on meetings with key stakeholders from across the Group to understand the risks, challenges and projects/initiatives within each area of the business and priorities for internal audit coverage; and consideration of core operational and financial processes to provide cyclical assurance to the Committee and the Board.

Throughout the course of the COVID-19 pandemic, audits have been delivered virtually where practicable. Initially this significantly increased the time spent on each audit, and led to delays in the completion of the work originally planned. However, as the team has adapted to delivering audits remotely, and the impact of COVID-19 has receded, output has returned to, and exceeded, pre-pandemic levels.

The key areas addressed in this year's audit plan have been:

- Financial: Payment Cycle Controls, Group Treasury, Financial Control Framework, DVP EU Pricing and Discounting Controls, DVP NA Order to Cash Controls;
- Operational: IT Governance, Cyber risk, Governance in DVP EU and DVP International, New Products Launch Process, and Fraud Investigations; and
- Compliance: Fraud Procedures and Awareness, UK Gender Pay Gap Reporting, Payroll System Steering Committee, the Fraud Prevention Programme, South America Monitoring and Pharmacovigilance.

Internal audit recommendations are communicated to the relevant business leaders, appropriate control improvements are agreed with them, and the implementation of agreed actions is monitored monthly. Audit reports are provided to the Committee, together with regular progress reports on management's implementation of control improvements.

Independence and Effectiveness of Internal Audit

During the year, the Committee reviewed and approved the updated Internal Audit Charter, which has been amended to align it with the Institute of Internal Audit's Model Internal Audit Activity Charter. The Committee, based on an assessment of the internal auditor's work, agreed that the internal audit team continued to have sufficient resources (particularly following the proposed new resource being in place) and access to technical experience to act as an effective third line of defence for Dechra. The Committee concluded that the internal audit function was effective and independent.

External Auditor

Following a competitive tender in 2015, PwC were appointed as the Company's external auditor effective from the 2016 audit. The Company complies with the Competition and Markets Authority Order 2014 relating to audit tendering and the provision of non-audit services.

Audit Plan

PwC agreed their audit plan with the Committee, which included their audit scope, key audit risk areas and materiality. The Committee discussed the audit plan with PwC and approved it, together with the fees proposed.

Independence, Effectiveness and Objectivity of the Audit Process

The Committee conducted a review of the external auditor's independence, effectiveness and objectivity based on:

- the Committee's own assessment of the quality of the audit plan, the rigour of the audit findings and conclusions, the extent to which the External Audit Engagement Partner understands the business and constructively challenges management and the quality and clarity of the technical and governance review provided;
- the results of a questionnaire on external auditor effectiveness and efficiency (further detail on which is provided below);
- a report prepared by PwC setting out its processes to ensure independence and its confirmation of compliance with them; and
- the level of non-audit fees as a percentage of the audit fees paid to the external auditor, which were 6.0% (2021: 7.6%) in relation to services rendered by PwC.

Responses to the questionnaire have been received from the Finance Leadership Team across the Group who provided information and assistance to the external auditor.

The questionnaire covered a number of areas, including:

- planning and preparation;
- quality of the audit team and continuity;
- knowledge and understanding of the Group;
- appropriateness of the areas of audit focus;
- interaction with audit specialists; and
- timeliness and adequacy of communication by the external auditor.

The results of the questionnaire were reported to the Committee at the meeting on 30 August 2022.

Based on the review set out above, the Committee is satisfied with the external auditor's independence, effectiveness and objectivity.

Audit, Risk and Internal Control

Re-Appointment of External Auditor

At the forthcoming Annual General Meeting, a resolution to re-appoint PwC as the external auditor and to authorise the Committee to set their remuneration will be proposed.

In recommending the re-appointment of the external auditor at the Annual General Meeting, the Committee also takes into account the Competition and Markets Authority (CMA) Order on mandatory audit tendering. Dechra will be required to retender its audit no later than for the 2026 financial year. The Committee will complete this process well before the start of the year preceding the 2026 financial year to maximise the firms able to tender and to permit the firm selected to have sufficient time to meet the required independence regulations.

External Audit Engagement Partner Rotation

In line with the FRC Ethical Standard, the External Audit Engagement Partner is rotated every five years. The current External Audit Engagement Partner, Mark Skedgel, was appointed by the Board on the recommendation of the Audit Committee for the 2021 financial year.

Non-Audit Assignments

With respect to non-audit services undertaken by the external auditor, the Company's policy is that the provision of such services does not impair their independence or objectivity.

Since May 2018, the policy for the use of the auditors, PwC, for non-audit work permitted in accordance with FRC guidance, is capped at 30% for

the ratio of non-audit fees to the audit fee and the underlying principle is that the external auditor should never be used where another professional firm can provide the same or similar service. This principle is stricter than the FRC guidance as it is expected that non-audit work performed by the external auditor will be limited to the review of the half-year accounts and any other work required to be carried out by the statutory auditor in accordance with legislation. The annual review of the policy was undertaken in April 2022 and there were no proposed changes. Should another professional firm be unable to provide the same or similar service, the Committee will continue to approve in advance any non-audit work carried out by the external auditor. In all instances, the Committee will assess the qualification, expertise, independence and objectivity of the external auditor prior to granting approval. Safeguards are in place to provide for continued external auditor independence, including the use of separate teams to undertake any non-audit work (other than the review of the Half-Yearly Report) and the audit work. As such, non-audit fee spend is a standing item on the agenda for every Committee meeting.

A summary of audit and non-audit fees in relation to the year is provided in note 7 to the Group's financial statements. This shows that non-audit work carried out by the external auditor represented 6.0% (2021: 7.6%) of the annual audit fee. The 2022 other non-audit fees relate to the engagement of PwC (as statutory auditor) to provide an annual attestation to NOMA (the regulator in Norway) and as such the services were permitted under the non-audit fee policy.

	2022 PwC	2021 PwC	2020 PwC	2019 PwC	2018 PwC
Audit fees including related assurance services (£m)	1.8	1.4	1.1	0.89	0.80
Non-audit fees (£m):					
Review of Half-Yearly Report	0.1	0.1	0.06	0.04	0.04
Other work	0.002	0.006	0.002	0.002	0.52*
Ratio of non-audit fees to audit fees	6.0%	7.6%	5.5%	6.7%	70.0%

* The 2018 Audit Committee Report sets out the reasons for the engagement of PwC.

Julian Heslop

Audit Committee Chair
5 September 2022