

## **Auto Trader Group plc (the “Company”)**

### **The provision of non-audit services by the external audit firm**

#### **1. Introduction**

This paper sets out the policy for the provision of non-audit services by the External Auditors to the Company and/or its subsidiaries (together, “the Group”). This policy is effective from 15 December 2023.

#### **2. Objective**

The External Auditors are primarily engaged to carry out statutory audit work. There may be other services (“non-audit services”) where the External Auditors are considered to be the most suitable supplier by reference to their skills and experience and such services are permitted by regulation. The objective of this policy is to ensure that the provision of such services does not impair the external auditor’s integrity, objectivity or independence.

#### **3. Inherent Threats**

Through the application of this policy, the Company seeks to avoid the following general categories of threats to independence, identified by the Financial Reporting Council:

- Self-interest threat – arises where the Auditor has a financial or other interest that might cause them to be reluctant to take actions that could be, or could be perceived to be, adverse to the interests of the audit firm or any individual in a position to influence the conduct and outcome of the audit;
- Self-review threat – arises when the Auditor is put in the position of reviewing its own work;
- Management threat – arises when partners or employees of the audit firm play any part in the management of, or take decisions on behalf of management of the Company;
- Familiarity (or trust) threat – arises when an audit firm or member of the audit team is predisposed to accept, or insufficiently questioning of, the point of view of the Company;
- Advocacy threat – arises when the audit firm acts as advocate for the Company and supports the position taken by the management of the Company in an adversarial or promotional situation, creating an actual or perceived threat; and
- Intimidation threat – arises when the Auditor’s conduct is influenced by fear or threats.

#### **4. Non-audit services related to the statutory audit (“Audit-related services”)**

Where permitted by regulation, audit related services may be undertaken by the External Auditors in their role as auditor or reporting accountant. Audit related services are:

- Reporting required by law or regulation to be provided by an auditor;
- Reviews of interim financial information;
- Reporting on regulatory returns;
- Reporting to a regulator on client assets;
- Reporting on government grants;
- Reporting on internal financial controls when required by law or regulation;
- Extended audit work that is authorised by the Audit Committee performed on financial information and/or financial controls where this work is integrated with the audit work and is performed on the same principal terms and conditions.

Other services are permissible as described in Section 5B of the Revised FRC Ethical Standard (Permitted Non-audit / Additional Services for Public Interest Entities). Please see the table in Appendix A. All non-audit services must be pre-approved by the Audit Committee as outlined in section 5 below.

#### **5. Prohibited non-audit services**

In line with the EU Audit Reform, the following services cannot be provided by the External Auditor to the Group:

- Tax services relating to:
  - payroll tax,
  - customs duties,
  - preparation of tax forms
  - identification of public subsidiaries and tax incentives (unless support from the audit firm is required by law)
  - support regarding tax inspections (unless support from the audit firm is required by law)

- calculation of direct and indirect tax and deferred tax
  - provision of tax advice
- Services that involve playing any part in the management or decision-making of the Group;
- Bookkeeping and maintenance of accounting records or preparation of 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 actuarial valuation services or litigation support services;
- Legal services, with respect to:
  - the provision of general counsel,
  - negotiating on behalf of the Group or
  - acting in an advocacy role in the resolution of litigation;
- Services related to the Group's internal audit function;
- Corporate finance type services:
  - Services linked to the financing, capital structure and allocation and investment strategy of the Group, except providing assurance services in relation to the financial statements, such as the issuing comfort letters in connection with prospectuses issued by the audited entity.
  - Promoting, dealing in or underwriting shares in the Group;
- HR services:
  - Recruitment services in respect of management in a position to exert significant information over the preparation of the accounting records or financial statements which are the subject of the statutory audit;
  - Structuring the organisation design;
  - Cost control;
- Any other work where the auditor's integrity, objectivity or independence are compromised by the threat of self-interest, self-review, management, advocacy, familiarity or intimidation.

## 6. Safeguards

In order to provide safeguards to auditor independence in the provision of non-audit services the following safeguards are in place:

### Approvals

The Audit committee must approve the provision of all non-audit services by the external auditors before commencement of the work, unless the service is one that is considered to be pre-approved as follows:

- A Cap will be set annually, calculated as 70% of the average audit fees paid to the audit firm in the last three consecutive years.
- Audit related services as set out above, are considered to be pre-approved by the Audit Committee to a level of £100,000 for each individual engagement.
- In addition, services relating to issue of compliance certificates in relation to banking facilities, loan agreements or covenants are considered to be pre-approved by the Audit Committee to a level of £50,000 for each individual engagement. This pre-approval includes the provision of an annual limited assurance report relating to the Sustainability Compliance Certificate required under the Company's Senior Revolving Credit Facility.
- Audit related services in excess of £100,000 for the individual engagement, or where the engagement would result in the aggregate of non-audit services for that financial year to exceed the Cap, must be approved by the Audit Committee before commencement of the work.

Other permitted non-audit services all require approval by the Audit Committee before commencement of the work. In exceptional circumstances related to urgent transactions, the Chair of the Audit Committee may approve the engagement on behalf of the Audit Committee.

### Reporting

The Audit Committee shall receive reports twice a year detailing the fees paid to External Auditors for the provision of non-audit services.

The Report of the Audit Committee in the Annual Report of the Company will disclose the total expenditure on non-audit services provided by the External Auditor, and will explain the nature of those services and how auditor independence and objectivity has been safeguarded.

## Appendix A

The Revised FRC Ethical Standard 2019 ('the Ethical Standard') describes the nature of all services that can be provided by the external auditor of a UK Public Interest Entity ('PIE') if pre-approved by the Audit Committee. Services not on this list cannot be provided by the external auditor.

Even if a service appears on the whitelist, the auditor must still consider the threats to their independence including:

- Whether it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor for the audit of the financial statements is relevant to the service.
- Whether the nature of the service would compromise independence.
- An assessment of threats to independence and the safeguards applied to counter those threats.
- Whether the audit committee and the auditor are confident that no element of the service would conflict with the list of prohibited non-audit services in the FRC Ethical Standard.

This appendix summarises the non-audit services permitted to be provided to PIEs under the Ethical Standard, Section 5B. In case of conflict, Section 5B of the Ethical Standard shall prevail.

### Permitted Non-audit / Additional Services for Public Interest Entities

An audit firm carrying out statutory audits of public interest entities and, where the audit firm belongs to a network, any member of such network, shall not provide to the audited entity, to its UK parent undertaking or to its worldwide controlled undertakings, services other than those set out in the rest of this paragraph, subject to the approval of the audit committee after it has properly assessed threats to independence and the safeguards applied in accordance with this Ethical Standard:

#### Type of non-audit service

##### (a) Services required by law or regulation and exempt from the non-audit services cap

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Reporting required by a competent authority or regulator under UK law or regulation for example:

1. Reporting to a regulator on client assets;
2. In relation to entities regulated under the Financial Services and Markets Act 2000 (FSMA), reports under s166 and s340 of FSMA;
3. Reporting to a regulator on regulatory financial statements;
4. Reporting on a Solvency and Financial Condition Report under Solvency II.

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In the case of a controlled undertaking incorporated and based in a third country, reporting required by law or regulation in that jurisdiction where the auditor is permitted to undertake that engagement.

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Reporting on internal financial controls when required by law or regulation.

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Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports.

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Reports, required by or supplied to competent authorities/regulators supervising the audited entity, where the authority/regulator has either specified the auditor to provide the service or identified to the entity that the auditor would be an appropriate choice for service provider.

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Services which support the entity in fulfilling an obligation required by UK law or regulation, including listing requirements where:

- the provision of such services is time critical;
- the subject matter of the engagement is price sensitive; and

- it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor for the audit of the financial statements is relevant to the service, and where the nature of the service would not compromise independence.

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**(b) Services subject to the non-audit services cap**

Reviews of interim financial information; and providing verification of interim profits not otherwise required by law or regulation.

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Where not otherwise required by law or regulation, non-audit and additional services, as defined in this Ethical Standard provided as 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.

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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.

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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.

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Reporting on government grants.

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Reporting on covenant or loan agreements which require independent verification and other reporting to third parties with whom the audited entity has a business relationship in accordance with Appendix C of this Ethical Standard.

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Services which have been the subject of an application to the Competent Authority in accordance with Regulation 79 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177).

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Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.

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