

PROVISION OF NON-AUDIT SERVICES BY THE EXTERNAL AUDITORS

In accordance with the UK Corporate Governance Code currently in force (the **Corporate Governance Code**), the main roles and responsibilities of the audit committee of a premium listed company include the development and implementation of a policy on the engagement of the external auditor to supply non-audit services. The Corporate Governance Code also requires the audit committee to ensure there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard.

Since December 2010, Pharos Energy plc's audit committee, known as the Audit and Risk Committee (the **Committee**), has implemented the policy that all non-audit services must be pre-approved by the Committee.

The purpose of this policy is to ensure that the provision of non-audit services by the external auditors does not impair the external auditors' independence or objectivity. In the context of non-audit services that are not prohibited by law, the Committee will apply judgement concerning the provision of such services.

Any proposal to engage the auditors to provide a non-audit service which could give rise to a threat of any significance to the auditors' objectivity and independence must be approved by the Committee regardless of the proposed fee. The external auditors will also be required to confirm to the Committee that they can provide the service without threat to their independence, in accordance with the Financial Reporting Council's Revised Ethical Standard ('FRC RES') 2019, before proceeding.

Permitted non-audit services

Services set out below may be provided by the external auditors with prior clearance from the Committee. A request to engage the external auditors for permitted non-audit services must initially be submitted to the Chief Financial Officer. If appropriate, the request will then be submitted to the Committee.

Audit related services (para 5.35 - 5.38 of the FRC RES)

Services would typically be carried out by members of the external auditors' team, where the work involved is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant, include:

- reporting required by law or regulation to be provided by the auditors
- interim financial reviews
- regulatory returns
- reporting to the regulators
- reporting on government grants
- reporting on internal financial controls when required by law or regulation
- extended audit work, where this work is integrated with the audit work and is performed on the same principal terms and conditions

Other permitted services (para 5.39 FRC RES 2019)

Includes any services which do not fall within audit related and are not prohibited.

Any service falling in this category will only be permitted by the Committee when the external auditors have properly assessed any threats to their independence in accordance with FRC RES 2019. The Committee will make their assessment of the proposed service(s).

Types of service within this category include:

- reports which are not 'audit related services', required by the competent authorities/regulators supervising the audited entity, where the authority/regulator has specified that the auditor provide the service or identified that the auditor would be an appropriate choice to provide the service (e.g. a skilled person review required under s166 FSMA).
- public reporting as reporting accountant on financial or other information of the audited entity in a prospectus or circular
- private reporting to support confirmations provided by the sponsor to the FCA in relation to a prospectus/circular
- public reporting on other information issued by the entity, such as reports on information in the front of annual reports not covered by the auditor's report on the financial statements.

Prohibited non-audit services (Appendix B FRC RES 2019)

The following is a summary of the prohibited non-audit services in relation to a public interest entity (PIE, a term that includes listed companies):

- the majority of tax services
- management or decision-making of the audited entity
- services linked to financing, capital structure and allocation, and investment strategy of the audited company (other than assurance services in relation to the financial statements)
- bookkeeping and preparing accounting records and financial statements
- payroll services
- internal audit services
- the majority of legal and human resources 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
- promoting, dealing in or underwriting shares in the audited entity.

In addition, 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.

Fees and reporting

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

The Committee will also report to the Board at least annually on how it has discharged its responsibilities under or in connection with this policy, including in relation to any improvement or action it considers necessary.

Approval for this statement

This statement was approved by the Board of Directors on 20 March 2024.



Jann Brown - Chief Executive Officer

21 March 2024