



grit

**GRIT REAL ESTATE INCOME
GROUP LIMITED
NON-AUDIT SERVICES POLICY**

POLICY CODE	ISSUE DATE	LAST REVIEW DATE	VERSION	DEPARTMENT	APPROVED BY	DATE APPROVED
P-Compl_Non Audit Services	July 2022	August 2023	V.02	Responsible Business	Audit Committee	August 2023

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Revision History		
Revision reference	Date	Description of changes
V.02	August 2023	<ul style="list-style-type: none"> - Annual Review - Permitted Non-audit services for Public Interest Entities



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1. INTRODUCTION

The external auditor should not provide a non-audit service if this would have a material effect on, or relevance to, the production of the financial statements of Grit Real Estate Income Group Limited (“Grit” or the “Company”) and/or involve taking decisions or making significant subjective judgement that should properly be the responsibility of management.

The external auditor shall not directly or indirectly provide any non-audit services that fall within the definition of “prohibited non-audit services” as defined within the FRC’s Ethical Standard 2019.

2. OBJECTIVE

The Audit Committee has established this Non-Audit Services Policy (the “Policy” or “policy”) to safeguard the independence and objectivity of the Company’s external auditor in relation to the provision of non-audit services.

The Policy is intended to avoid situations where the external auditor’s independence and objectivity could be compromised, including but not limited to the following examples:

- (i) where the external auditor would be responsible for auditing work it has performed;
- (ii) where the external auditor would make management decisions on behalf of the Company;
- (iii) where the external auditor would assume the role of advocate for the Company; and
- (iv) where mutuality of interest would be created between the external auditor and the Company.

3. SCOPE OF APPLICATION

The Policy applies to the entire Grit Group and all other operations within the business.

4. ASSESSMENT OF THE WORK OF EXTERNAL AUDITOR

As regards the use of the external auditor for work beyond that necessary for expressing an opinion on the accounts of the Company, there needs to be a distinction between:

- 4.1 work that is closely related to the work performed in the audit and the threats to auditor independence are clearly insignificant and, as a consequence, safeguards need not be applied (**Audit Related Services**);
- 4.2 work that is best performed by the external auditors as a result of their unique position and knowledge of the Company; and
- 4.3 other work.

5. PROHIBITED AND PERMITTED NON-AUDIT SERVICES FOR PUBLIC INTEREST ENTITIES

- (a) The non-audit services as per Annexure 1 to this Policy may **not** be provided by the Company’s external auditor.



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(b) **Annexure 2** set out the Permitted Non-audit / Additional Services for Public Interest Entities.

6. FEES FOR NON-AUDIT SERVICES

The aggregate of fees for non-audit services will not be in excess of 70% of the average of the last three years audit fees (**Non-Audit Services Cap**). Audit Related Services (as defined under paragraph 4 of this policy) and Non-audit services provided by the external auditor that fall within the definition of “services required by law or regulation”, as defined in the FRC Ethical Standard, are exempt from the Non-Audit Services Cap.

7. STRUCTURE, MONITORING AND REPORTING

The Board of Grit is ultimately responsible of the risk management. In assisting the Board to discharge such responsibilities, a delegated authority has been given to the Audit Committee to monitor adherence to this Policy.

The Management shall be responsible for the day-to-day operations of the risk management function. The Audit Committee has delegated the implementation of this Policy, in particular, to the Finance Director and the Head of Responsible Business, who will ensure that this Policy is adhered to. The Management will report to the Audit Committee and the Board on non-audit services, such reporting to be carried out by tabling a list at each Audit Committee meeting.

Adherence to the Policy’s principles will be reported to the Board by the Audit Committee at regular and appropriate intervals, including, but not limited to:

- Board Meetings (as may be deemed required);
- At the approval of Annual Financial Results, along with the Integrated Annual Report of the Company; and
- At Board and Audit Committees meetings.

8. THE AUDIT COMMITTEE - ROLE OF, REVIEW AND APPROVAL PROCESS, REPORTING

(a) The Audit Committee will determine whether it is satisfied that the independence of the external auditor engaged on the Company’s work is not jeopardised, taking into account the external auditor’s own submissions to the Audit Committee. The Audit Committee will report to the Board accordingly.

(b) In most cases, the Audit Committee will consider the suitability of a range of suppliers and select the most appropriate. The following non-audit services may be provided by the Company's external auditor, provided that these are approved by the Audit Committee prior to such services being provided and that the Committee is satisfied that appropriate safeguards are in place to preserve the independence of the external auditor:

- (i) Advice on financial accounting and regulatory reporting matters;
- (ii) Reviews of internal accounting and risk management controls;
- (iii) Reviews of compliance with policies and procedures;
- (iv) Advice on pension fund investment procedures;



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- (v) Non-statutory audits and audit related assurance services;
- (vi) Due diligence regarding acquisitions, joint ventures and disposals unless the External Auditors advise the vendors in the transaction; and
- (vii) Tax compliance services which have an immaterial impact on financial statements.

(c) The Audit Committee will:

- Consider annually all non-audit services received and the associated costs;
- Consider any proposed non-audit services expected to be required in the forthcoming financial year. For any proposed non-audit service to be provided by the external auditor, the Audit Committee shall ensure that the external auditor provides documented evidence of the reasoning for a decision to provide non-audit / additional services, prior to any engagement letter being issued;
- If any non-audit work is proposed to be carried out by the external auditors outside the cycle of Audit Committee meetings, **approval prior to engagement** may be obtained from the Chair of the Audit Committee or another member of the committee if the Chair is unavailable; and in all cases notification is to be given to all members; and
- If any non-audit work is proposed to be carried out by a supplier other than the engaged external auditor, such will be proposed to the Audit Committee (or the Audit Committee Chair if outside of the regular cycle of Audit Committee meetings) for **approval of engagement and associated costs prior to engagement** and all such services shall be reviewed by the Audit Committee during the year-end review process.

(d) Any work authorised will also be reported to the next full Audit Committee or Board meeting whichever is sooner.

(e) The Audit Committee retains the right to review and approve any non-audit services carried out by other suppliers who also offer audit services. This practice is to ensure future audit tender participations are not jeopardised. Such review and/or approval will be provided during the annual budgeting process and/or as various projects arise which require consulting advice.

9. REVIEW OF THE POLICY

The Audit Committee will review the Policy quarterly (as may be required), which will include an assessment of the effectiveness of the Policy and of the nature of the non-audit services, if any. The Audit Committee will also discuss any revisions that may be required and recommend any revisions to the Board for approval.

10. BREACH OF POLICY

Upon occurrence of a breach and as soon as it is known, the Head of Responsible Business / Finance Director shall immediately inform the CEO of Grit and shall propose of the action to rectify the breach.



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The Audit Committee and the Board shall be kept informed of such breaches and remedial actions on a quarterly basis. Decisions taken by the CEO and/or management shall be ratified at each Board/Audit Committee meetings. A register of breaches will be maintained by the Head of Responsible Business.



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ANNEXURE 1 - PROHIBITED NON-AUDIT SERVICES FOR PUBLIC INTEREST ENTITIES

An *audit firm* carrying out the *statutory audit* of a *public interest entity*, or any member of the network to which the *audit firm* belongs, shall not directly or indirectly provide to the *audited entity*, to its UK or EU parent undertaking or to its controlled undertakings any prohibited non-audit services in:

- (a) the period between the beginning of the period audited and the issuing of the audit report; and
- (b) the financial year (or period if longer than one year) immediately preceding the period referred to in point (a) in relation to the services listed in points (e) and (h) of the second subparagraph.

For these purposes, prohibited non-audit services shall mean:

- (a) tax services relating to:
 - (i) preparation of tax forms;
 - (ii) payroll tax;
 - (iii) customs duties;
 - (iv) identification of public subsidies and tax incentives unless support from the *audit firm* in respect of such services is required by law;
 - (v) support regarding tax inspections by tax authorities unless support from the *audit firm* in respect of such inspections is required by law;
 - (vi) calculation of direct and indirect tax and deferred tax;
 - (vii) provision of tax advice;
- (b) services that involve playing any part in the management or decision- making of the audited entity;
- (c) bookkeeping and preparing accounting records and financial statements;
- (d) payroll services;
- (e) 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;
- (f) valuation services, including valuations performed in connection with actuarial services or litigation support services;
- (g) legal services, with respect to:
 - (i) the provision of general counsel;



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- (ii) negotiating on behalf of the *audited entity*; and
 - (iii) acting in an advocacy role in the resolution of litigation;
- (h) services related to the audited entity's internal audit function;
- (i) 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;
- (j) promoting, dealing in, or underwriting shares in the audited entity;
- (k) human resources services, with respect to:
- (i) management in a position to exert significant influence over the preparation of the accounting records or financial statements which are the subject of the statutory audit, where such services involve:
 - searching for or seeking out candidates for such position; or
 - undertaking reference checks of candidates for such positions;
 - (ii) structuring the organisation design; and cost control.



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ANNEXURE 2 - 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 Standard¹:

Services required by law or regulation and exempt from the non-audit services cap

- Reporting required by a competent authority or regulator under law or regulation for example;
 - Reporting to a regulator on client assets;
 - in relation to entities regulated under the Financial Services and Markets Act 2000 (FSMA), reports under s166 and s340 of FSMA;
 - Reporting to a regulator on regulatory financial statements;
 - Reporting on a Solvency and Financial Condition Report under Solvency II.
- 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*;
- Reporting on internal financial controls when required by law or regulation;
- Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports;
- 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;
- 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 an it is probably 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;

Services subject to the non-audit services cap²

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

¹ In accordance with this Ethical Standard and Schedule 1 to the Statutory Auditors and Third Country Auditors Regulations 2016.

² An *Other Entity of Public Interest* is not subject to the 70% non-audit services cap.



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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;

- 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;
- Reporting on covenant or loan agreements, which require independent verification, and other reporting to third parties with whom the *entity relevant to an engagement* has a business relationship in accordance with Appendix C of this Ethical Standard;
- 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)³;
- Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.

Where such services are provided, they shall not include any elements of those services subject to outright prohibition in Regulation 80 of The Statutory Auditors and Third Country Auditors (Amendment) (EU Exit) Regulations 2019 (SI 2019/177)⁵¹. The prohibitions in this Regulation have been amended to require an extended cooling in period for services linked to an audit entity's internal audit function. No other non-audit or additional services shall be provided to the *audited entity*, its UK parent undertaking and its worldwide controlled undertakings by the *audit firm* or any member of the firm's network.

If a non-permitted service is inadvertently provided, the *audit firm* may continue to carry out the *statutory audit* of the *public interest entity* only if it can justify, that such provision of services does not affect its professional judgment and the audit report. The *audit firm* shall report this in its auditor's report on the entity's accounts in accordance with paragraph 45-1(d) of ISA (UK) 700.

An audit firm undertaking the statutory audit of an entity relevant to an engagement, which is not a public interest entity, but meets the definition for *an other entity of public interest*^{51b} shall follow the requirements as set out in this Annexure.

³ For convenience this listing is reproduced at Annexure 1 of this Policy (Appendix B of this Ethical Standard – in this Ethical Standard and extended cooling period has been added for internal audit (h) to sub paragraph (b).)

