

BLOOMSBURY PUBLISHING PLC (“BLOOMSBURY”)

Policy governing the provision of non-audit services by the external auditor

This policy was approved by the Audit Committee on 19 July 2016.

Introduction

The Audit Committee should have a policy that governs non-audit services provided by the external auditor. This is to mitigate the risks of actual or potential threats to the independence of the external auditor or the appearance of threats to their independence. Areas of threats to external auditor independence might include

- a. *Self-interest* – e.g. promoting the external auditor’s business ahead the integrity of the audit
- b. *Self-review* – e.g. reviewing own work via the audit process
- c. *Management* – e.g. participating in management decisions
- d. *Advocacy* – e.g. advocating management in an adversarial context
- e. *Familiarity* – e.g. losing critical insight, protecting friendships
- f. *Intimidation* – e.g. threat of retribution

EU regulations place constraints on which non-audit services the external auditor may lawfully perform (whether or not a fee is charged or not). The Audit Committee’s policy is not to commission or accept these prohibited services, which are included as an appendix below.

Policy

1. External auditor services

The services provided by the Bloomsbury’s external auditors are categorised as follows:

- a. **Audit Services** - the provision of statutory audit services including the audit of statutory accounts, the half-year review and other services pursuant to legislation.
- b. **Non-Audit Services** – all other services provided to Bloomsbury by the external auditor.

2. Prohibited Non-Audit Services

- 2.1 The external auditor may not provide any prohibited non-audit service.
- 2.2 Prohibited non-audit services include services that are charged for or that are provided free of charge by the external auditor.
- 2.3 Generally, a prohibited non-audit service is any service
 - a. which violates any laws or regulations; or
 - b. where there is an actual or potential threat to the independence and objectivity, or to the appearance of independence and objectivity, of the external auditor; or
 - c. which is recurring.
- 2.4 Specifically, prohibited non-audit services are set out below as an appendix.

3. Permitted Non-Audit Services

- 3.1 Permitted non-audit services excludes any prohibited non-audit service.
- 3.2 The Audit Committee and Group Finance Director shall both approve all non-audit services undertaken by the external auditor.
- 3.3 In any financial year, the charges for non-audit services by the external auditor may not exceed 50% of the total charges by the external auditor.

- 3.4 The external auditor is eligible for selection to provide non-audit services to the extent that their skills and experience make them a competitive and most appropriate supplier of these services.
- 3.5 Examples of services that will normally be considered permitted non-audit services include:
- a. review of the internal controls and systems controls relied on for the integrity of financial reporting e.g. to provide the Committee with reports on internal control weaknesses;
 - b. limited scope audit of published financial information to provide assurance it is consistent with the financial statements;
 - c. issuance of comfort letters required for regulatory compliance or to provide assurance to lenders that is consistent with the financial statements;
 - d. audit of financial statements of pension plans;
 - e. providing training such as technical updates and professional development courses; and
 - f. discussion and review of Bloomsbury's proposed accounting treatment for one-off transactions and acquisitions acting as the external auditor.

APPENDIX – PROHIBITED NON-AUDIT SERVICES

The following services may not be provided by the external auditor.

- 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 statutory auditor or 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 *
- A. Services that involve playing any part in the management or decision making of the audited entity
- B. Bookkeeping and preparing accounting records and financial statements;
- C. Payroll services;
- D. 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;
- E. Valuation services, including valuations performed in connection with actuarial services or litigation support services; *
- F. Legal services, with respect to:
 - i. the provision of general counsel,
 - ii. negotiating on behalf of the audit entity
 - iii. acting in an advocacy role in the resolution of litigation;
- G. Services related to the audit entity's internal audit function;
- H. Corporate Finance type services:
- 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. J Promoting, dealing in, or underwriting shares in the audited entity;
- K. K. HR services:

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:
 - a. a. searching for or seeking out candidates for such positions; or
 - b. b. undertaking reference checks of candidates for such positions.
- ii. structuring the organisation design;
- iii. cost control.

Note *

Where indicated, the prohibited services may be provided subject to audit committee approval and after an assessment of threats, if:

- No direct or clearly inconsequential effect, separately or in aggregate, on financial statements;
- Estimation of the effect on the financials is comprehensively documented and explained in the additional report to the audit committee;
- In line with principles of independence; and
- The audit firm would not place significant reliance on the work performed by the audit firm in performing these services.