

# **JOHN LAING GROUP PLC CHARTER OF EXTERNAL AUDITOR INDEPENDENCE**

## **1. Introduction**

The Board of John Laing Group plc (the “Company”) is committed to ensuring that the financial statements of all relevant Group companies and of the Company itself have an effective and independent annual audit by its External Auditor (the “Auditor”). The Board has delegated to the Audit & Risk Committee (the “Committee”) responsibility for reviewing the effectiveness of the external audit and the independence of the Auditor.

## **2. Appointment of Auditor**

The Committee is responsible for the selection, compensation and oversight of the Auditor. The Committee recommends to the Board the selected Auditor, who is then proposed to shareholders each year, in accordance with English law. The Committee will make an annual assessment of the external audit and confirm the Auditor’s independence, prior to making a recommendation to the Board in respect of any reappointment or audit tender process.

## **3. Audit Scope and Fees**

The scope of the annual external audit of the financial statements will be presented to, discussed with and agreed by the Committee.

The Auditor’s annual letter of engagement will be reviewed by JLG Management and circulated to the Committee for approval.

To ensure the requisite audit quality and to allow for an effective audit service by suitably qualified professionals, JLG commits to the payment of fair commercial fees for its statutory audit and audit-related services.

The Chief Financial Officer of JLG will negotiate the annual statutory audit fee on a Group wide basis and recommend it for approval by the Committee. Reports will be provided to the Committee at least annually detailing the level of fees paid to the Auditor, differentiating between audit and non-audit work awarded to the Auditor.

As a matter of principle and good corporate governance JLG will require the Auditor to provide the following assurances on an annual basis: the total fees received by the Auditor from JLG do not have a material impact on the former’s operations or financial condition; JLG has not withheld fees from the Auditor; to the best of the Auditor’s knowledge and belief there is no dispute or litigation between it and JLG.

## **4. Independence and the Provision of Non-Audit Services**

Except as engaged properly in accordance with this charter, the external audit team should have no financial, employment or business relationship with JLG, other than in the normal course of business. Investment in the shares of the Company is prohibited.

The Auditor is precluded from engaging in non-audit services that would compromise its independence or violate any laws or regulations affecting its appointment as Auditor.

The Auditor may not provide a service which:

- Places the Auditor in a position to audit its own work; or
- A mutuality of interest is created; or
- Results in the Auditor developing close personal relations with the employees of JLG; or
- Results in the Auditor functioning as a manager or employee of JLG; or
- Puts the Auditor in the role of advocate for JL; or
- Does not comply with the FRC Ethical Standard 2016.

The Auditor is eligible for selection to provide non-audit services only to the extent that its skills and experience make it a competitive and the most appropriate supplier of these services and only where this service is permitted by FRC Ethical Standard 2016.

All non-audit engagements entered into with the Auditor of JLG are subject to the following policies and procedures.

No work for the Auditor is permitted in the following areas:

- Payroll tax and social security;
- Corporate tax compliance;
- Indirect tax compliance and advisory work;
- Corporate tax consulting work;
- Tax compliance and advice in relation to internationally assigned employees;
- Management functions or human resources services in connection with the search for or appointment of management to posts;
- Remuneration advice for senior management and the JLG Board;
- Bookkeeping or other services relating to the accounting records or financial statements;
- Financial information systems design and implementation;
- Valuation services for accounts purposes;
- Actuarial advisory services;
- Internal audit out-sourcing or co-sourcing services;
- Broker or dealer, investment advisor or investment banking services;
- Expert services;
- Legal services; and
- Any other services that, locally, are prohibited through regulation.

No work of the Auditor is permitted that could create a conflict or perceived conflict in the following areas: outsourcing/partnering; tax structuring advice; valuation of acquisition targets and connected due diligence other than transaction support (where transaction support is defined as review of a target's financial statements and internal control systems).

All potential mandates for non-audit related services from the Auditor will be determined on a case by case basis. They currently comprise a review of JLG's semi-annual accounts. The Committee Chair may give approval in advance on a case by case basis fees in respect of non-audit services up to a cumulative fee of £20,000 per annum where the non-audit work requires Committee approval, is of an urgent nature, and he is satisfied that such work will not affect adversely the independence and objectivity of the Auditor. This preliminary approval will be pending a formal decision or ratification by the Committee.

Letters of engagement which provide any of the above services from other accounting firms

will be agreed by JLG Management and circulated to the Committee for information and comment.

If, in the view of the Committee, the level of fees for non-audit services paid to the Auditor is of a magnitude that could impair or be perceived to impair auditor independence, then the Committee may impose a restriction on non-audit work awarded to the Auditor.

All non-audit services will be reported to the Committee meeting following engagement. In addition, in respect of each financial year, the Committee will be presented half yearly with a list (by category) of the non-audit services provided by the Auditor during the year and the fees involved.

## **5. External Audit Team**

The Auditor will provide suitably qualified personnel to ensure an effective audit is carried out. It will provide audit personnel who are appropriately trained, capable of meeting the required technical standards, will maintain client confidentiality and behave in a professional manner at all times. These standards are necessary to reinforce the reality and perception of Auditor independence.

JLG will require the Auditor to rotate the senior audit engagement partner and review partner for JLG every five years with suitable succession planning to ensure consistency. In addition and in compliance with current regulation, JLG will tender its audit in the open market at least every ten years.

## **6. Employment of Former Employees of the Auditor**

A former signing partner or independent review partner may not be recruited by the Group in any capacity unless a period of at least two years has expired since they held such a position.

Except with prior approval of the Committee, no candidate employed by the Auditor and working on the external audit of the Group (or who has worked on the external audit in the previous financial year) may be approached with an offer of employment.

Except with the agreement of the Committee, no candidates employed by the Auditor may be seconded to the Group or otherwise work for the Group in any role where the activity would be prohibited if undertaken directly by the Auditor.

The Committee will monitor the number of former employees of the Auditor currently employed in senior positions in the Group, and consider whether there has been any impairment, or appearance of impairment, of the Auditor's independence and objectivity as a result.

## **7. Meetings and Reporting**

The Auditor is expected to attend all meetings of the Committee and to attend at least once a year without Management present.

The Auditor will report to the Committee on inter alia its assessment of how JLG's principal accounting practices, internal controls and reporting procedures compare with best practice. In addition, the Auditor will discuss with the Committee and without Management present any material issues which affect the approval of the annual & semi-annual accounts of JLG. These requirements are necessary to reinforce the reality and perception of auditor independence.

## **8. Statutory Audit Processes**

JLG expects its Auditor to maintain quality control processes whereby all key accounting and auditing decisions are arrived at after appropriate consultation with technical and subject matter experts within the audit firm. This provision codifies existing practice and is necessary to reinforce the reality and perception of Auditor independence.

## **9. Auditor Confirmation of Independence**

The Committee will require the Auditor to confirm annually that it has complied with all professional regulations relating to auditor independence. Specifically, the Auditor will be required to confirm its commitment to strict procedures that ensure that: the Auditor, its partners and relevant staff (including all current service team members) do not have any financial, business, employment or family and other personal relationships with JLG which could affect adversely the Auditor's independence and objectivity; the pension fund of the partners of the Auditor does not hold any direct financial interest in JLG; the staff pension fund of the Auditor does not hold any direct financial interest in JLG; there are no business interests between JLG and the Auditor including any outsourcing arrangements; and no fee paid by JLG to the Auditor is paid on a contingency basis. The Committee will review annually the independence, objectivity and performance of the Auditor in considering the appropriateness of the ongoing appointment.

In addition to the confirmations and representations by the Auditor referred to above, the standard of independence to which the Auditor complies will be not less than the requirements of the primary listing authority to which JLG is subject (currently the FCA).

The Committee may engage on a periodic basis an independent expert to conduct a high level review of the perception of JLG's Auditor independence.