

Custodian REIT Plc

Non-audit fee policy

Updated 31 May 2018

1. Policy for the provision of non-audit services by the external auditor to Custodian REIT plc (“the Company”)

1.1. Services that the Audit Committee may or will authorise the external auditor to perform include:

- a) Statutory audit of the financial statements for the Company;
- b) Statutory audits of the financial statements of subsidiary companies;
- c) Review of the Company’s Interim Report;
- d) Reporting required by law or regulation to be performed by the auditor;
- e) Reporting on internal financial controls where required by law or regulation; and
- f) Reports on regulatory returns.

1.2. In addition, other non-audit services may be engaged where:

- a) they are closely related to the work performed in the external audit process and are largely carried out by members of the audit team; or
- b) for reasons of effectiveness or efficiency, it is advantageous to use the external auditors because of their knowledge and expertise.

2. Introduction

2.1. This policy applies where the Company is considering an option to invite the external auditor to propose to engage for the provision of non-audit services. This policy is in place to mitigate the risk that the external auditor’s independence is, or is perceived to be, compromised. This might arise, for example, in the provision of services that:

- a) create conflicts of interest between the external auditor and the Company;
- b) result in the external auditor functioning in the role of management;
- c) result in a fee which is material relative to the audit fee; and
- d) place the external auditor in the position of auditing its own work.

2.2. This policy is in line with the recommendations set out in the Financial Reporting Council’s (FRC’s) Guidance on Audit Committees (2016) and the requirements of the FRC’s Revised Ethical Standard (2016) (“the Ethical Standard”). Specifically, the external auditor is only appointed to perform a non-audit service when doing so would be consistent with both the requirements and overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier. The Ethical Standard requires an assessment of whether it is probable that an objective, reasonable and informed third party would conclude independence is not compromised.

3. Approval

3.1. The approval of the Audit Committee must be obtained before the external auditor is engaged to provide any non-audit services. The Company does not operate a 'de-minimus' or 'clearly trivial' policy in this regard that delegates the authority to approve such services. There are no circumstances where the external auditor will be approved to provide non-permitted services as described below. Where the Company is considering inviting the external auditor to propose to engage for a non-audit service, the Audit Committee first receives papers from both the Investment Manager and the external auditor that demonstrate why the external auditor is best placed to perform the work and how independence is safeguarded.

3.2. When reviewing such proposals the Audit Committee will assess:

- a) whether the provision of such services impairs the auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats;
- b) the nature of the non-audit services;
- c) whether the skills and experience make the auditor the most suitable supplier of the non-audit service; and
- d) the fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the Company audit fee.

3.3. In considering whether non-audit services have a direct or not inconsequential effect on the financial statements the Audit Committee will have regard to whether the potential impact on the financial statements would influence the economic decisions that users make on the basis of the financial statements. The estimation of the effect on the audited financial statements will be assessed on a prudent basis taking account of the relevant circumstances.

4. Fees

4.1. The external auditor will not be engaged on terms that involve contingent fee arrangements. In addition, the total fees for non-audit services provided by the external auditor shall, in respect of the Company and its controlled undertakings, be limited to no more than 70% of the average of the statutory audit fee for the Company and its controlled undertakings in the last three consecutive financial years commencing on the start of the first financial year after 1 April 2017. On appointment of a new auditor, the 70% cap will be based on the relevant annual statutory audit fee for that particular year only, with the average of the current year and the previous year applying in the second year, and the average of the previous two years and the current year being applied from the third year. Details of non-audit services provided by the external auditor will be monitored and reviewed by the Audit Committee.

5. Confirmation of independence

5.1. The Audit Committee seeks annually from the audit firm information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff. The Audit Committee, in accordance with

its terms of reference, will also assess annually the external auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of non-audit services.

6. Non-audit services

6.1. The following non-audit services may not be provided by the external auditor:

- a) tax services relating to the preparation of tax forms, payroll tax, customs duties, 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), the provision of tax advice;
- b) services that involve playing a 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;
- g) legal services, with respect to the provision of general counsel, negotiating on behalf of the audit entity or acting in an advocacy role in the resolution of litigation;
- h) services related to the Company'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 Company;
- j) promoting, dealing in, or underwriting shares in the audited entity;
- k) human resources services.

Ends