BARRATT DEVELOPMENTS PLC
(the "COMPANY")

POLICY ON AUDITOR INDEPENDENCE AND NON AUDIT FEES

This policy is established to ensure the independence of the Company's external auditor (the "Auditor").

Provision 25 of the UK Code on Corporate Governance (July 2018) and DTR 7.1, requires listed companies, through its Audit Committee, to review and monitor the Auditor's independence and objectivity and the effectiveness of the audit process taking into consideration relevant UK professional and regulatory requirements. In addition, the Company should develop and implement a policy on the engagement of the Auditor to supply non-audit services, taking into account relevant ethical guidance and UK professional and regulatory requirements.

Through the application of this policy, the Company wishes to avoid the following general categories of threats to independence, identified by the Financial Reporting Council:

- Self-interest threat – arises where the Auditor has a financial or other interest that might cause them to be reluctant to take actions that could be, or could be perceived to be, adverse to the interests of the audit firm or any individual in a position to influence the conduct and outcome of the audit;
- Self-review threat – arises when the Auditor is put in the position of reviewing its own work;
- Management threat – arises when partners or employees of the audit firm play any part in the management of, or take decisions on behalf of management of the Company;
- Familiarity (or trust) threat – arises when an audit firm or member of the audit team is predisposed to accept, or insufficiently questioning of, the point of view of the Company;
- Advocacy threat – arises when the audit firm acts as advocate for the Company and supports the position taken by the management of the Company in an adversarial or promotional situation, creating an actual or perceived threat; and
- Intimidation threat – arises when the Auditor's conduct is influenced by fear or threats.

1 Responsibility of the Audit Committee

With respect to the Auditor the Audit Committee shall be responsible for:

1.1 Negotiating and agreeing the statutory audit fee and the scope of the statutory audit, considering whether the level of fees is appropriate to enable the audit to be conducted;

1.2 Authorising the Auditor (and, after any tender, any replacement auditor to be appointed to replace the incumbent in a future period) to provide non-audit services (including audit related services) to the Company or Group, prior to the commencement of such services;

1.3 Monitoring annual estimated/actual spend for audit (including audit related) and non-audit fees;
1.4 Approving the terms of the audit engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
1.5 Assessing annually: (i) the Auditor's independence and objectivity taking into account any relevant UK professional and regulatory requirements; (ii) the relationship with the Auditor as a whole, including the provision of any non-audit services; and (iii) following discussions with the Auditor, any confirmation of independence received from the Auditor;
1.6 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Auditor and the Company, the Company's management and directors (other than in the ordinary course of business);
1.7 Monitoring the Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
1.8 Assessing annually their qualifications, expertise and resources and the effectiveness of the audit process including their own internal quality procedures and responses to any regulatory findings.

In carrying out the aforementioned responsibilities, the Audit Committee may consult such persons as it deems appropriate.

2 Appointment of the Auditor

The Audit Committee shall consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's Auditor.

The Audit Committee shall be responsible for any auditor selection process to be carried out, and if the Auditor resigns, the Audit Committee shall investigate the issues leading to this event and decide whether any action is required.

The Audit Committee shall satisfy itself that the Auditor is independent on appointment (with any cooling-down that is required complete prior to appointment).

The Audit Committee shall arrange for the Company's audit to be put out to tender at least every ten years with no continuous period of appointment running longer than 20 years.

The Audit Committee shall ensure that the recommendation after an audit tender process includes at least two firms, with a clear and justified preference for one.

3 Hiring Policy

The Company will not hire any employee of the Auditor who has been involved in the Company's audit within the last two years. Should the Company wish to make such an appointment, written approval must be obtained from each of the Group Chair, the

Chief Financial Officer and the Chairman of the Audit Committee prior to any offer of employment being made to the individual concerned.

4 Rotation of Audit Partners

The Auditor shall comply with relevant UK legal, ethical and professional guidance on the rotation of audit partners and other partners and staff in senior positions. Currently these requirements are:

- Lead engagement partner – maximum period in the role continuously or in aggregate, five years: no return for at least five years;

- Engagement Quality Control Reviewers - maximum period in the role, continuously or in aggregate, seven years: no return for at least five years;

- Key audit partners responsible for the statutory audit of material subsidiaries: maximum period in the role continuously or in aggregate, five years: no return for at least five years; and

- Other key audit partners involved in the audit – maximum period in the role, continuously or in aggregate, seven years: no return for at least two years.

- Other partners and staff in senior positions – if involved in the audit for more than 7 years, the Auditor must undertake a threats and safeguards assessment. Following this assessment, if safeguards do not reduce the threats to a level where independence is not compromised, the partner or member of staff should be removed from audit.

5 Provision of Audit Services

Audit services are recurring services, with the objective of providing assurance on the financial statements and the annual report. Audit services include services that are a necessary part of the audit process.

6 Provision of non-audit services

The Audit Committee has adopted the FRC's "Whitelist" of permitted services for UK incorporated UK Public Interest entities ('UK PIEs') as set out in the Revised Ethical Standard 2019 (Ethical Standard) (see Appendix 1). These services are those that are required by law and regulation, loan covenant reporting, other assurance services closely linked to the audit or annual report and reporting accountant services. Appendix 1 also sets out which of these services fall within the 70% cap as described in section 8.

Non-audit services will only be provided by the External Auditor if they also pass the "third party test" i.e. that an objective, reasonable and informed third party would conclude that integrity or objectivity (and therefore independence) of the External Auditor will not be compromised through the provision of the non-audit services.

The External Auditor will confirm, in writing, to the Chairman of the Audit Committee, or the Chief Financial Officer or the Company Secretary, that the "third party test" has been conducted and the outcome of that assessment, prior to any non-audit services being provided. The confirmation will need to set out the factors, both qualitative and quantitative, (such as the nature of the service, the level of fees and fee arrangement, and any other factors that may be relevant for a third party to understand the effectiveness of the safeguards) considered as part of the assessment.

7 Prohibited Services

The Auditor should not provide the following services (the "Prohibited Services") even if they fall within a type of service that is "permitted" according to Appendix 1:

7.1 Tax services and compliance;
7.2 Services that involve playing any part in the management or decision-making process of the Company;
7.3 Bookkeeping and preparing accounting records and financial statements/payroll services;
7.4 Designing and implementing internal controls related to financial information or designing and implementing financial information technology systems;
7.5 Valuation services;
7.6 Legal services/internal audit/Human Resource services;
7.7 Services linked to financing, capital structure and allocation, and investment strategy of the Company;
7.8 Promoting, dealing in or underwriting shares in the Company; and
7.9 Any other service that the Audit Committee determines is not permissible.

8 Non-audit fees

The following annual limits will apply to non-audit fees (see Appendix 1):

8.1 In any one financial year, the Chief Financial Officer has the authority to approve Projects, which in aggregate, do not exceed £50k in anticipated or approved fees;
8.2 Where, in aggregate, anticipated and approved non-audit fees, in any one financial year, exceed £50k but are less than £150k, the Projects must be approved by the Chief Financial Officer following consultation with the Chairman of the Audit Committee;
8.3 Where, in aggregate, the anticipated and approved fees, in any financial year, exceed £150k, the Projects must be approved, in advance of any formal commission, by the Audit Committee;
8.4 The Audit Committee will review, at each of its meetings, the cumulative year to date and annual estimated audit and non-audit fee expenditure; and
8.5 if the average of three consecutive years of audit fees paid to the individual audit firm for its audit of the Company and, where applicable, its parent and its subsidiaries, compared to fees for non-audit services paid to the individual audit firm in respect of the Company, its parent and its subsidiaries in the fourth year, are likely to exceed 70%[1] (the "Cap"), the Audit Committee will apply appropriate

[1] Does not apply to non-audit fees for services required by law or regulation e.g. regulatory reporting to the Prudential Regulation Authority and Financial Conduct Authority

controls over non-audit expenditure for the remainder of the year to ensure the Cap is not breached; and

8.6 if the average of three consecutive years of audit fees paid to the audit firm and its entire network for audits of the UK PIE and its subsidiaries, compared to fees for non-audit services paid to the audit firm and its entire network for non-audit services provided to the UK PIE and its subsidiaries in the fourth year, are likely to exceed 70%[2] (the "Cap"), the Audit Committee will apply appropriate controls over non-audit expenditure for the remainder of the year to ensure the Cap is not breached.

9 Employee conduct

Employees of the Company and its subsidiaries have an obligation to comply with all reasonable requests for information from the Auditors and to provide information that is not misleading, false or deceptive.

[2] Does not apply to non-audit fees for services required by law or regulation e.g. regulatory reporting to the Prudential Regulation Authority and Financial Conduct Authority

Appendix 1 – Whitelist of non-audit services

Whitelist approach to non-audit services

The FRC's whitelist of non-audit services set out in the table below indicates where a type of service is expected by the FRC to fall within or outside the 70% cap on non-audit services under the network calculation[3].

This whitelist describes the nature of all services that can be provided by the external auditor of an UK PIE if approved by the Audit Committee – services not on the list cannot be provided.

Even if a service appears on the whitelist, the auditor must still consider the threats to their independence. Further considerations laid out in the Revised Ethical Standard 2019 include:

- Whether it is probable 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.
- Whether the nature of the service would compromise independence.
- An assessment of threats to independence and the safeguards applied to counter those threats.
- Whether the audit committee and the auditor are confident that no element of the service would conflict with the EU blacklist of non-audit services which will continue to apply as a matter of law. Some services that appear allowable under the whitelist will be prohibited by the blacklist.

For avoidance of doubt, the whitelist does not permit tax, consulting, valuation or corporate finance services (other than reporting accountant engagements). In addition, under the Revised Ethical Standard 2019, all engagements involving a contingent fee are banned for all audited entities and all engagements involving internal audit services, management roles or secondments are banned for the Company and its significant affiliates.

[3] The average of three consecutive years of audit fees paid to the audit firm and its entire network for audits of the UK PIE and its subsidiaries, compared to fees for non-audit services paid to the audit firm and its entire network for non-audit services provided to the UK PIE and its subsidiaries in the fourth year.

Revised Ethical Standard 2019 – Whitelist

Type of non-audit service	Outside cap	Counts towards cap
Reporting required by a competent authority or regulator under UK 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.	Yes	
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 required to undertake that engagement.	Yes	
Reporting on internal financial controls when required by law or regulation.**	Yes	
Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports.	Yes	
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.	Yes	
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 it is probable 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.***	Yes	
Reviews of interim financial information; and providing verification of interim profits not otherwise required by law or regulation.		Yes
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 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.		Yes
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 the audited entity or a third-party service provider, where this work is closely linked with the audit work.		Yes

Type of non-audit service	Outside cap	Counts towards cap
Additional assurance work or agreed upon procedures authorised by those charged with governance performed on material included within or referenced from the annual report.		Yes
Reporting on government grants.		Yes
Reporting on covenant or loan agreements which require independent verification and other reporting to third parties with whom the audited entity has a business relationship in accordance with Appendix C of this Ethical Standard****.		Yes
Services which have been the subject of an application to the Competent Authority.		Yes
Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.		Yes

* It is not always clear which services fall within the exemption for services required by EU or national law. It is worth bearing in mind that simply because work may be advised or required by an industry regulator does not mean it is pursuant to legislation – it will depend whether the industry regulator has statutory rights to require the work. Early discussion with the auditor is recommended for such services in order to avoid potential problems.

** This will permit any new requirements for auditors under the future BEIS consultation on internal controls to be outwith the fee cap.

*** In each of these cases the whitelist emphasises that consideration should be placed on whether it is probable 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 whether the nature of the service would compromise independence.

**** This is cross referenced to Appendix C of the Ethical Standard, which replicates and updates the referencing of the staff guidance ay bring in restructuring services to the extent provided in that Appendix.

In respect of reporting accountant engagements, the FRC has not sought to change the services that reporting accountants can provide but they have applied the rules on additional services as if the reporting accountant was the company's auditor (for this purpose the rules applied are for companies that are neither a PIE nor OEPI). This means there are more services that rule out a particular firm from becoming reporting accountant than under the current standard[4].

Reporting accountant service	Outside cap (required by UK law or regulation)	Counts towards cap
Public accountant's report or special purpose audit opinion (true and fair)	Yes	
Public reports on profit forecasts (proper compilation)	Yes	
Public report on pro forma statements (proper compilation)	Yes	
Public report on acquirer's GAAP regulation (proper compilation)	Yes	
Public report on quantified financial benefit statements (proper compilation)	Yes	
Consent letter	Yes	
Auditor's independence letter	Yes	
FRC Ethical Standard independence letter	Yes	

[4] Currently the only common services which rule the firm out completely are tax services on a contingent fee basis and advising on the quantum and measurement criteria of senior management and directors' pay. Otherwise, reporting accountants assess the additional services against the Transaction, subject matter and subject matter information. Assuming there is no self-review threat, the reporting accountant will often use a threats and safeguards approach.

Reporting accountant service	Outside cap (required by UK law or regulation)	Counts towards cap
Long form report or other kinds of due diligence report carried out as part of a reporting accountant engagement		Yes
Working capital opinion and supporting report		Yes
Private reporting on profit forecasts/estimates		Yes
Financial policies and procedures (FPP) comfort letter and supporting commentary report		Yes
Private reporting on a synergy statement		Yes
Comfort letters: • on extraction of financial information • on significant change • on reporting accountant's responsibilities to Sponsor or Nominated Adviser • on tax		Yes
Pathfinder comfort letter		Yes
Bring down comfort letter		Yes