Premier Foods Plc

External Auditor Independence and Non-audit Services Policy (Approved by the Audit Committee on 10th November 2016)

Introduction

Premier's policy aims to ensure we maintain the independence and objectivity of our External Auditor (the "**Auditor**") as set out in the UK Corporate Governance Code, the Guidance on Audit Committees, CMA Order and relevant EU legislation.

The policy covers our processes and procedures relating to:

1. The rotation of the Auditor;
2. The rotation of Audit partners, lead and key;
3. The provision of non-audit services ("**NAS**") by the Auditors; and
4. Appointment of staff previously employed by the Auditor.

Auditor Rotation

The contract for external audit services will be put out to tender at least once every ten years and a new External Auditor will be appointed at least every twenty years.

The intention to tender, where possible, will be announced in advance of the commencement of the tendering process.

Having conducted a tender and appointed a new Auditor in 2015/16, in accordance with the FRC's guidance on transitional arrangements and the EU tender requirements, the latest point to tender will be after the **2025/2026 year end** at which point the current Auditor **could** be re-appointed for a **further 10 year term** following a competitive tender. Under the terms of the current EU legislation an Auditor cannot hold office for more than 20 years.

There are no contractual obligations restricting the Company's choice of Auditor and the Audit Committee is free to conduct a tender exercise at any time. Should the Audit Committee approve a tender exercise the fact and the reasons for it will be disclosed to shareholders as early as is practicable.

Partner Rotation

The Lead engagement partner will be rotated at least every five years, with no return for at least five years from the end of the last period.

Where the Audit Committee decides that it is necessary to safeguard the quality of the audit, the Lead engagement partner may continue in this position for an additional period of up to two years.

The Audit Committee will disclose this fact and the reasons for it to shareholders as early as practicable.

Other key audit partners - maximum period in the role seven years; no return for at least two years.

An audit partner is 'key' if they are at Group level responsible for reporting on significant matters, such as on significant subsidiaries or divisions or on significant risk factors that relate to the audit.

Each year, the Auditor should confirm to the Audit Committee that all partner rotation requirements have been met.

Non-audit services and procedure for approval

*The Company's default position is that the External Auditor should not provide any non-audit services ("**NAS**") to the business.*

It is recognised however, that the Auditor will have a significant understanding of the Group's business and that this knowledge and experience can be utilised to the Group's advantage in certain areas.

1. The Auditor is not be permitted to conduct prohibited NAS assignments as set out in the attached Appendix 1.

2. Where NAS are allowed, fees for NAS shall not exceed 70% of the average Group statutory audit income incurred for the last three consecutive financial years (the "**70% Cap**"). The three consecutive years will commence in 2017/18 and include the 2018/19 and 2019/20 financial years. The 70% cap will not formally take effect until the 2020/21 financial year; in the meantime, and while there is currently no pre-determined limit, the Audit Committee expects that NAS fees will not exceed the 70% Cap.

3. Any NAS assignment, not included in Appendix 1, will be assessed by the Group on a case by case basis. The sourcing of all allowed NAS, where the billable fee will be up to £100k, will require the approval of the Audit Committee Chairman. If the fee is anticipated to be over £100k, approval of the full Audit Committee will be required. Management will present the rationale for requiring the Auditor to conduct the activity and the impact on the 70% Cap. If, in exceptional circumstances, NAS will result in fees exceeding the 70% Cap before the 2020/21 year end then this will require full Audit Committee approval. After 2020, any breach of the 70% Cap would require the Auditor to seek prior approval from the Financial Reporting Council (e.g. for a capital markets transaction).

4. The level of NAS fees will be monitored by the Chief Financial Officer and the Audit Committee. This will be reported to the Audit Committee on a regular basis.

Employment of former employees of the Auditor or the Company

The Company and the Auditor agree on a restricted hiring policy:

i. the Company will not hire partners or professional employees of the Auditor to become key management personnel who have been involved in the external audit of the Company's Half or Year End accounts within the previous two financial years; and

ii. the Auditor will not hire any officers, director or employee of the Company for involvement in the Company's external audit within two years after termination of their employment with the Company.

Appendix 1

Prohibitions on the work provided by the auditor/network of a public interest entity.

The following is a summary of the work prohibitions set out in the REGULATION (EU) No 537/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL – Article 2(13):

A. Tax services:

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 *

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,
ii. negotiating on behalf of the audit entity
iii. acting in an advocacy role in the resolution of litigation;

H. Services related to the audit entity's internal audit function;

I. Corporate Finance type services:

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

***** A number of prohibited services (as identified by asterisks) may still be provided by the External Auditor, subject to Audit Committee approval and after an assessment of threats to the External Auditor's independence, if the following requirements are complied with:

- 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 the External Auditor's principles of independence; and
- The External Auditor would not place significant reliance on the work performed.