

# **NB Distressed Debt Investment Fund Limited**

## **Policy on the Independence of External Auditors (including the provision of non-audit services)**

**March 2023**

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## **1 INTRODUCTION**

The Board of NB Distressed Debt Investment Fund Limited (the "Company") is committed to ensuring that the financial statements of the Company and its subsidiaries (together "the Group") have an effective and independent annual audit by its external auditors. The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the external audit and the independence and objectivity of the auditors.

The Group is expected to conform to this policy and references to audits, auditors and Audit Committees should be construed as relating to all entities within the Group.

This policy has been drafted taking into consideration relevant Guernsey & UK law, regulation, and the FRC's Ethical Standard as they relate to the Group.

### **1.1 Appointment of external auditors**

The Audit Committee is responsible for the selection, compensation and oversight of auditors. The Audit Committee recommends to the Board the selected auditors, which are then proposed to shareholders each year, in accordance with the Companies (Guernsey) Law, 2008. The Audit Committee will make an annual assessment of the effectiveness of the external audit and confirm the auditors' independence, prior to making a recommendation to the Board in respect of any reappointment or audit tender process.

The Audit Committee would normally consider putting the Company's audit out to tender at least every ten years and the maximum duration of a continuous audit engagement will be twenty years. In view of the current expectation of the wind down of the Company, it is not considered in the best interests of the Company to put the audit out to tender.

### **1.2 Audit scope and fees**

The Audit Committee will approve the remuneration and terms of engagement of the external auditor subsequent to the presentation of the scope of the annual audit of the financial statements by the external auditor.

## **2 INDEPENDENCE AND THE PROVISION OF NON-AUDIT SERVICES**

The Audit Committee should assess the independence and objectivity of the external auditor annually, taking into consideration relevant law, regulation and professional requirements. This assessment should involve a consideration of all relationships between the Company and the audit firm (including the provision of non-audit services) and any safeguards established by the external auditor. The Audit Committee should consider whether, taken as a whole and having regard to the views, as appropriate, of the external auditor, management and internal audit, those relationships appear to impair the auditor's independence and objectivity.

The Audit Committee should seek reassurance that the auditors and their staff have no financial, business, employment or family and other personal relationship with the company which could adversely affect the auditor's independence and objectivity, taking account of the FRC's Ethical Standard. The Audit Committee should seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff.

The Company wishes to have available to it the best provider of professional services where it is necessary to engage external advisors. It would therefore not wish to debar its external auditor from providing such services so long as they are not prohibited by code

or regulation. This policy is written under current guidelines on the provision of non-audit services as promulgated under the FRC Ethical Standard as it applies to the Group.

The Audit Committee's objective is to ensure that the provision of such services does not impair the external auditor's independence or objectivity. In this context, the Audit Committee will consider:

- Whether the skills and experience of the audit firm make it the most suitable supplier of any permissible non-audit service;
- Whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
- The nature of the non-audit services;
- The fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and
- The criteria which govern the compensation of the individuals performing the audit.

In general, the auditors may **not** provide a service which:

- Places the auditor in a position to audit their own work;
- A mutuality of interest is created;
- Results in the auditor developing close personal relationships with the employees of the Company;
- Results in the auditor functioning as a manager or employee of the Company; or
- Places the auditor in the role of advocate for the Company.

The external auditors may provide permissible non-audit services that do not conflict with their independence and objectivity, subject to the necessary approval procedures set out in this paper. Fees in respect of non-audit services must not be success-related.

The external auditors are eligible for selection to provide permissible non-audit services only to the extent that their skills and experience make them a competitive and most appropriate supplier of these services. Non-audit services will be subject to market tenders or tests and will be awarded to the most appropriate provider. If there is a preferred relationship, it will be subject to a market test on a regular basis, with reviews at least every three years.

## **2.1 Approval of the provision of non-audit services**

All non-audit engagements entered into by the auditors of the Company are subject to the following approval policies and procedures, established by the Audit Committee and the Audit Committee shall be informed of such engagements at each meeting.

To help provide reporting transparency, services provided by the Company's auditors are categorised as follows:

- **Audit Services**

Audit services comprise:

- o The provision of statutory audit services, as well as services that generally only the auditor can reasonably provide, such as consultation concerning financial accounting and reporting standards; comfort letters, attest services and consents and assistance with and review of documents filed with regulatory bodies;

- **Non-Audit Services**

Non-audit services comprise:

- o *Audit-Related Services* – including review of interim financial information, due diligence and transaction support; internal control reviews and forensic work.

The Audit Committee has pre-approved the categories of non-audit services that may be performed by the Company's external auditors. The pre-approved categories are set out in Section 4. The Audit Committee must be advised by the commissioning entity/person, and by the audit firm, of all assignments undertaken by the external auditors that fall within the pre-approved categories as soon as practicable.

In respect of each calendar year the Audit Committee will be presented half yearly with a list (by main category) of the non-audit services provided (and expected to be provided) by the external auditors in that calendar year and the fees involved, for their information.

- **Non-Audit Fees**

Fees for non-audit services provided by the statutory audit firm, other than those required by law or regulation, are subject to a cap of 70% of the average of the audit fees in the last three years. This policy is applied prospectively from the Company's year ended 31 December 2017 and therefore the threshold will be calculated on a three year look back from the financial year ended 31 December 2020 (the "Measurement Period").

## **2.2 Rotation of audit partners and staff**

The Audit Committee will monitor the external audit firm's compliance with the FRC Ethical Standard relating to the rotation of audit engagement partners.

The Audit Committee may decide that it is necessary to safeguard the quality of the audit, in such circumstances, the audit engagement partner may, with the permission of his firm, continue in their position for an additional period of up to two years but no more than seven consecutive years.

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

The length of audit service of the audit engagement partners engaged on the audit and their status of rotation will be discussed with the Audit Committee on a timely basis.

No member of the audit staff should serve more than ten consecutive years in a position of managerial or partner responsibility.

## **2.3 Auditor relationships**

Relationships with auditors should be professional and respect the need for objectivity on the part of the auditor in the conduct of their audit responsibilities. Whilst it is recognised that a cordial relationship should foster open communication, which should assist the effectiveness of the audit, it is important that relationships remain business-like. Reasonable levels of corporate hospitality, common in other professional relationships, are permissible.

## **2.4 Employment of auditor staff and former auditors**

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 he/she held such a position.

Except with the agreement of the Audit Committee, no staff employed by the external 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 external auditor.

The Audit Committee will monitor the number of former employees of the external 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.

## **2.5 Meetings between auditors and the Audit Committee**

The auditors will raise directly with the Chairman or members of the Audit Committee any matters of concern that they have in relation to their audit responsibilities where they believe that the concerns have not been adequately addressed through the regular processes established with management.

Separate meetings of the auditors and Audit Committee members, without executive management present, will be held not less than twice a year. The auditors may also request at any time such a separate meeting with the Audit Committee.

## **2.6 Auditor confirmation of independence**

The auditors will confirm each year in writing to the Audit Committee that they have complied with the independence rules of their profession and regulations governing independence, and that they have complied with the requirements of this policy.

## **2.7 Report to shareholders**

The Audit Committee will confirm to the Board each year that it has reviewed the scope of the annual audit and the independence and objectivity of the auditors and is satisfied that the integrity of the audit has not been compromised. It should also recommend whether a report should be given to shareholders.

The annual financial statements should disclose the amounts paid to the auditors both for audit and non-audit services, with a description of the services provided and, where thought appropriate, the reason for the services to have been provided by the auditors rather than another supplier.

## **3 NON-PERMITTED WORK**

The following are the categories of work that may not be undertaken by the Company's auditors in accordance with its auditor independence policy.

The auditors may not provide any of the following services:

- Bookkeeping or other services related to accounting records or financial statements;
- Financial information systems design and implementation;
- Providing fairness opinions or preparing contribution in kind reports as part of an appraisal or valuation service;
- Actuarial advisory services in connection with the determination of amounts included in the financial statements;

- Internal audit out-sourcing or co-sourcing services;
- Management functions or human resources services in connection with the search for or appointment of management to posts within the Group and remuneration advice for the Board;
- Broker or dealer, investment advisor or investment banking services;
- Expert services – expert opinions or other services provided directly to the Group or to a legal representative of the Group for the purpose of advocating the Company’s interest in litigation or regulatory, or administrative investigations or proceedings;
- Legal services - services which could be provided only by someone licensed, admitted or otherwise qualified to practise law in the jurisdiction in which the service is provided;
- Tax related services; and
- Any other service that, locally, is prohibited through regulation.

Certain types of activity precluded in the above list may be required under local laws. Any such conflicts will require resolution through application to the relevant regulatory bodies, under the supervision of the Audit Committee.

## **4 PERMITTED WORK**

The following categories of non-audit services may be undertaken by the Company’s external auditors in accordance with its external auditor independence policy.

### **4.1 Audit-Related Services**

#### **4.1.1 Services relating to the review of financial information**

- Review of interim financial information.

#### **4.1.2 Services relating to accounting activities**

- Advice and consultations in connection with changes to or the application of generally accepted accounting principles in any of the territories in which the Group operates or in respect of US GAAP or International Accounting Standards.
- Advice and consultations in connection with the application of generally accepted accounting principles in any of the territories in which the Group operates or in respect of US GAAP or International Accounting Standards to any transaction proposed by or entered into by the Group.
- Training support in respect of any accounting related projects or the continuing education of any Group requirement in relation to accounting or accounting process activities.
- Preparation of local statutory accounts which do not form the basis for the Company’s consolidated annual or other periodic reporting.
- Assistance in the preparation and analysis of financial information in connection with an insurance or similar claim.