

**Card Factory plc
(the “Company”)**

Policy on Non-Audit Services

1. Scope and Objectives

The policy covers the engagement of the Company’s External Auditors to supply Non-Audit services.

Its purpose is to:

- make sure that the provision of non-audit services does not compromise the External Auditor’s independence or objectivity or violate any laws or regulations affecting their appointment as auditors;
- create a simple and transparent process and reporting to enable the Company’s Audit and Risk Committee to review compliance with this policy; and
- avoid unnecessary restrictions on the Company buying services from the External Auditors where they can provide better quality and/or more cost effective service than other providers taking into account their skills and experience.

2. Principles

Card Factory’s objective when buying services is to choose the provider who is best placed to deliver the service in terms of quality and value, taking into account their skills and experience.

It is acknowledged that, through the performance of their statutory audit work, the Company’s External Auditors have good knowledge of many aspects of the Card Factory Group (Group) and how it operates. This knowledge may, in certain circumstances, mean that they are able to provide services to us on those aspects of the Group in an informed, efficient and cost-effective manner.

Whilst the Company wants to retain the option of engaging its External Auditors to provide non-audit services, we recognise that it must, in all circumstances, be in the Group’s best interests to do this and that a number of criteria should be met. These criteria will ensure that the External Auditors do not:

- audit their own work;
- make management decisions for the Group;
- create a conflict of interest;
- find themselves in the role of advocate for the Company or any member of the Group;
- breach FRC Revised Ethical Standards

To ensure that the provision of non-audit services does not compromise our External Auditor’s independence or objectivity, the Audit and Risk Committee should consider the following:

- whether the skills and experience of our External Auditor make them the most suitable supplier of the non-audit service, having taken into account the ability of other suppliers to provide the 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.

3. Approval to provide non-audit services

The Company’s Audit and Risk Committee has pre-approved certain categories of non-audit services (as set out below) that may be performed by its External Auditors. In all circumstances, the provision of these services must not offend against the principles set out above. In addition, the Audit and Risk Committee has clearly determined those services which cannot, in any circumstance, be provided by the Group’s External Auditors. These are set out in paragraph 4 below.

The Group CFO must be advised by the external audit firm, of all assignments undertaken by them that fall within the pre-approved categories as soon as practicable.

The External Auditors will only be eligible for selection to provide non-audit services to the extent that their skills and experience make them competitive and most appropriate to deliver the service in terms of quality and cost.

Non-audit services may be provided by the External Auditors without prior referral to the Audit and Risk Committee up to a cumulative annual value of 50 per cent of the annual audit fee charged by the External Auditor in respect of the financial year in which the non-audit services are being provided (the Annual Limit).

In exceptional circumstances any incremental work in excess of the Annual Limit would be subject to approval by the Audit and Risk Committee. Recognising that the individual value of a single engagement may also be a threat to independence, individual work in excess of £10,000 must be preapproved by the Audit and Risk Committee or the Audit and Risk Committee Chairman. One-off costs in relation to the Company's listing are excluded from this calculation.

Regulatory fee caps in respect of non-audit services will be in place for the year ended 31 January 2021. These fee caps will limit non-audit services provided by the External Auditor to Card Factory plc and its subsidiaries to 70% of the average of the fees paid to the External Auditor in the last three consecutive financial years for the audit(s) of Card Factory plc and of its subsidiaries and of the consolidated financial statements of the group of undertakings.

Audit related and assurance services – which usually result in a certification or specific opinion on an investigation, and may include:

- review of half yearly consolidated financial statements;
- services relating to shareholder circulars issued in accordance with the Listing Rules of the Financial Conduct Authority including issuance of related comfort letters;
- capital market debt regulatory filings including services relating to debt offering circulars including the issuance of comfort letters;
- audit of financial statements of pension and other employee benefit plans;
- review of internal controls and financial data related to specific operations and/or business processes including general computer controls, treasury management, tax, sustainability reviews and forensic audits/investigations;
- issuance of comfort letters in respect of information provided to third parties (e.g. turnover certificates); and
- discussion and review of the impact of new rules and standards and accounting for acquisitions and other one-off transactions.

Non-audit related services – typically including advisory services such as:

- advice and assistance on treasury matters and debt;
- provision of general employee advice;
- advice and assistance on pension matters;
- training support;
- legal entity rationalisation, liquidation / administration services
- secondment of junior staff with the approval of the Group CFO;
- provision of company secretarial and administration support services relating to the drafting of documents, but excluding the maintenance of registers and minutes;
- internal/external benchmarking, offshore and outsourcing evaluations, process/best practice reviews relating to business and financial processes and administration;

No services provided by the External Auditors should be the subject of a contingent fee. Other types of non-audit work may be undertaken with prior agreement on a case-by-case basis by the Audit and Risk Committee.

In respect of each financial year, the Audit and Risk Committee will be presented at each Audit and Risk Committee meeting with a list of the non-audit services provided to date by the External Auditors in that financial year and the fees involved, for their information.

Where the provision of audit related assurance services or non-audit related services by the External Auditor requires pre-approval, in respect of urgent matters, the Audit and Risk Committee will delegate its authority to the Chairman of the Audit and Risk Committee between meetings. Such pre-approval should be ratified at the next meeting of the Committee.

4. Forbidden non-audit services

In addition to any services that offend against the principles set out in paragraph 2 above, the following are the categories of work that may not be undertaken by the Group's External Auditors in accordance with its auditor independence policy:

- bookkeeping or other services related to the accounting records or financial statements of the Company and its subsidiary undertakings;
- tax services relating to: preparation of tax forms, payroll tax, customs duties, identification of public subsidies and tax incentives and support regarding tax inspections unless support from the audit firm is required by law, calculation of direct and indirect tax and deferred tax and provision of tax advice
- Information Technology systems design, provision or implementation;
- appraisal or valuation services including fairness opinions or contribution-in-kind reports, where the output is likely to be used for financial reporting purposes;
- payroll services;
- actuarial services where the service will lead to a valuation likely to be included in the Group's financial reporting;
- internal audit services;
- management or human resources functions which involve acting as a director, employee or officer of the Group or performing any decision making, supervisory or ongoing monitoring function;
- broker, dealer, investment advisor, or investment banking services;
- legal services, under circumstances in which the person providing the service must be admitted or otherwise qualified to practice before the courts of a jurisdiction;
- litigation support services
- expert services for the purpose of advocating the Group's interests in litigation of regulatory or administrative investigation or proceedings;
- recruitment of senior management or executives;
- remuneration services in terms of advice on quantum of remuneration package or measurement criteria on which the quantum is calculated, for a director or key management; and
- any other service that, locally, is prohibited through law or regulation.

5. Auditor confirmation of independence

The External Auditors are required each year to confirm in writing to the Audit and Risk 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. The External Auditor is required to maintain appropriate records to provide reasonable assurance that its independence from Card Factory plc is not impaired.

6. Report to shareholders

The Audit and Risk Committee should produce an annual report to the Company's shareholders describing the role and responsibilities of the Audit and Risk Committee and the actions taken by it to discharge those responsibilities. Such a report should include that the Audit and Risk Committee has reviewed the scope of the annual audit and the objectivity and independence of the External Auditors and is satisfied that the integrity of the audit has not been compromised and should explain to shareholders how the Audit and Risk Committee's policy on the engagement of the External Auditors to supply non-audit services provides adequate protection of auditor objectivity and independence. Shareholders should be given the opportunity to discuss this policy with the Audit and Risk Committee members.

The annual financial statements for the Group should disclose the amounts paid to the External 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 External Auditors rather than another supplier.

23 March 2017