ROCKHOPPER EXPLORATION PLC (“Rockhopper” or “Company”)

POLICY ON THE INDEPENDENCE AND OBJECTIVITY OF THE EXTERNAL AUDITOR

1. INTRODUCTION

1.1 The FRC has introduced a new Ethical Standard which applies to the accounting periods of any public interest entity (“PIE”) commencing on or after 15 March 2020. The key changes regarding auditor independence in the Revised Ethical Standard 2019 include:
- Introduction of a whitelist of permitted non-audit services; and
- Prohibition for all audited entities on internal audit services, secondments and contingent fee arrangements.

1.2 The terms of reference of Rockhopper’s Audit & Risk Committee state that the Audit Committee has responsibility for overseeing the relationship with the external auditor which includes regular assessment of the auditor’s independence and objectivity.

1.3 Rockhopper’s Audit Committee has approved the introduction of this policy and has developed a list of permitted and prohibited non-audit services in line with the recommendations set out in the Revised Ethical Standard 2019. The aim of the policy is to mitigate any risks which threaten, or which are perceived to threaten, the external auditor’s independence and objectivity arising through the provision of non-audit services specifically those services which:

- Create conflicts of interest between the external auditor and Rockhopper;
- Result in the external auditor functioning in the role of management;
- Result in a fee which is material relative to the audit fee;
- Place the external auditor in the position of auditing its own work; or
- Place the external auditor in the position of being an advocate for Rockhopper.

2. ROLE OF THE AUDIT COMMITTEE

2.1 Under its terms of reference, the Audit Committee is required to oversee the relationship with the external auditor which includes:
- assessing annually the external auditor’s independence and objectivity taking into account relevant UK law, regulation and professional standards and requirements including the Financial Reporting Council Ethical Standard;
- assessing the relationship with the auditor as a whole, including any threats to the auditor’s independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and Rockhopper (other than in the ordinary course of business);
- monitoring the auditor’s process for maintaining independence, its compliance with relevant UK law, regulation, other professional standards and requirements including the ethical and professional guidance on the rotation of audit partners, the level of fees paid by Rockhopper compared to the overall fee income of the firm, office and partner and other related requirements;
- assessing annually the external auditor’s qualifications, expertise and resources and the effectiveness of the audit process to include a report from the external auditor on its own internal quality procedures; and
- developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

3. CLASSIFICATION OF SERVICES

Appendix A sets out the categories of services that may, or may not, be provided by the external auditor under this policy.

3.1 Permitted non-audit services

The services set out in categories 1 and 2 of Appendix A may be provided by the external auditor with prior clearance from the Chair of the Audit Committee. Any request to engage the external auditors for permitted non-audit services must be submitted by the Chief Financial Officer such request to include the category of the engagement, the proposed fee and details of expenditure on non-audit fees during the financial year in question, relative to average of the last three year’s audit fees.

In considering the request for the provision of permitted non-audit services, the Chair of the Audit Committee shall consider:

- whether the provision of such services impairs the independence or objectivity of the external auditor;
- whether there are any safeguards in place, or required, to eliminate or reduce these threats to a level where they would not compromise the auditor’s independence and objectivity;
- the nature of the non-audit services;
- whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;
- the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee, including special terms and conditions such as contingent fee arrangements which will not be permitted;
- whether the non-audit services have a direct or material effect on the audited financial statements;
- how the Committee will assess and explain the estimation of the effect on the financial statements; and
- how it will assess the external auditors’ independence.

The external auditor will not be engaged to provide a non-audit service when the objectives of the service would be regarded by a reasonable and informed third party as conflicting with the objectives of the audit, specifically when the outcome of the service could have a material effect on the preparation or presentation of the financial statements.

3.2 Prohibited non-audit services

The external auditors will not be permitted to provide any of the services outlined in Category 3 of Appendix A. In addition, it may not be in the interests of the Company to engage its external auditor to carry out other services where there is a conflict of interest due to a relationship with another client of the external auditor.

4. POLICY

4.1 The Audit Committee will review the independence and objectivity of the external auditor once a year. The Audit Committee will also implement a process for reviewing the quality and effectiveness of the external audit once a year.

5. INTEGRITY

5.1 When reviewing the independence and objectivity of the external auditor, the Audit Committee shall consider all relationships between the Company and the audit firm (including those for the provision of non-audit services). The Audit Committee will also consider whether, taken as a whole and having regard to the views, as appropriate, of the external auditor and management, those relationships appear to impair the external auditor's judgement or independence.

5.2 None of the members of the audit team or any partners of the external audit firm should have any family, financial, employment, investment or business relationship with the Company or its subsidiaries (other than in the normal course of business).

5.3 The Audit Committee will consider the Company's policy concerning the employment of former employees of the external auditor which is set out below and will review that policy once a year.

5.3.1 No former member of the audit team can be hired into a financial reporting oversight role within the Company, for a period of two years following their association with the audit. A financial oversight role is any position that has direct responsibility for overseeing those who prepare the Company's financial statements.

5.3.2 No former employee of the Company's external auditor may be named a director of any significant operating company within the Group for two years after the termination of their employment with the Company's external auditor.

5.3.3 No former employee of the Company's external auditor may join the senior management team of the Group without the approval of the Chairman of the Audit Committee.

5.3.4. Each year, the Company Secretary shall report to the Audit Committee the profile of former employees of the external auditor employed by the Group in the preceding year.

5.4 The Audit Committee will require the external audit firm, on an annual basis, to provide information about policies and processes for maintaining independence and monitoring compliance with relevant current requirements, including those regarding the rotation of audit partners and staff, the level of fees that the Company pays in proportion to the overall fee income of the firm and other related regulatory requirements.

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APPENDIX A

Category 1 **Permitted services required by law or regulation**	Category 2 **Other permitted non-audit services**	Category 3 **Prohibited non-audit services**
Services in this category include where work is required by law or regulation to be carried by the external auditors or where this work would typically be carried out by the external auditor. Services falling in this category include: • Reporting required by law or regulation to be provided by the auditors • Reporting on regulatory returns • Reporting to a regulator on client assets • Reporting on internal financial controls when required by law or regulation • Reporting on historical financial information and pro-forma statements in relation to a public document required by the UKLA or similar.	Any services that do not fall within Category 1 (permitted) or Category 3 (prohibited). Services falling in this category include: • Reviews of interim financial information • Reporting on government grants • Extended audit work that is authorised by those charged with governance performed on financial information and/or financial controls where this work is closely linked to the audit work and is performed on the same principal terms and conditions. • Reporting on working capital statements, financial prospects, procedures and policies and other routine workstreams associated with a public document required by the UKLA or similar.	• Certain consultancy and advisory services and a majority of tax services • Services that involve any part in the management or decision-making of the company • Services linked to financing, capital structure, use of funds and investment strategy of the company • Bookkeeping, maintenance of accounting records, preparation of financial statements and payroll services • Legal, internal audit (noting a 12 month cooling in period for new auditors) and human resources services. • Design/implementation of internal controls and IT systems related to financial information • Valuation services • Promoting, dealing in or underwriting shares in the audited entity.