

AUDIT COMMITTEE

Terms of Reference

Adopted 20 February 2012
Amended 28 November 2017
Amended 19 February 2019
Amended 22 February 2021
Amended 21 February 2023

1. Constitution

The Board of directors of the Company ("the Board") has established a committee of the Board to be known as the Audit Committee ("the Committee") as part of its process for establishing formal and transparent arrangements for considering how it should apply the corporate reporting, risk management and internal controls principles and for maintaining an appropriate relationship with the Company's external auditor.

2. Membership

- 2.1 The Committee shall comprise of at least three members, appointed by the Board on the recommendation of the Nomination Committee in consultation with the chair of the Committee.
- 2.2 All members of the Committee shall be independent non-executive directors of the Company, at least one of whom should have recent and relevant financial experience and the members of the Committee as a whole have competence relevant to the sectors in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 2.3 The chair of the Committee will be appointed by the Board. In the absence of the chair of the Committee at a meeting, the remaining members present shall select one of themselves to chair the meeting.
- 2.4 Appointments shall be for a period of up to three years, extendable for up to two additional three-year periods, provided members continue to be independent.
- 2.5 Only members of the Committee and the company secretary or their nominee shall have the right to attend Committee meetings. However, the finance director, the Group head of audit and assurance and the external auditor will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 2.6 If members should request it, appropriate training will be provided on induction and on an ongoing basis to maintain a reasonable degree of up-to-date financial literacy that will enable them to carry out their duties. Training may take various forms, including attendance at formal courses, internal company talks or briefings by the external auditor.

3. Secretary

The company secretary or their nominee shall be the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

4. Quorum

The quorum necessary for the transaction of business shall be two members.

5. Meetings

- 5.1 The Committee shall meet at least three times a year at appropriate intervals in the reporting cycle and otherwise as required. The external auditor and/or the Group head of audit and assurance may request a meeting if considered necessary.
- 5.2 Outside of the formal meeting programme, the chair of the Committee shall maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the executive directors, the external audit lead partner and the Group head of audit and assurance.
- 5.3 The Committee will meet with the external auditor and the Group head of audit and assurance at least annually, without the Company's management being present, to discuss matters relating to its remit and any issues arising from the external audit and the internal audits.
- 5.4 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair or any of its members, or at the request of the external audit lead partner or head of internal audit and assurance if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers shall be sent to each member of the Committee and any other person invited to attend no later than 5 days before the date of the meeting.

7. Minutes of Meetings

- 7.1 The secretary shall minute the proceedings and decisions of all the meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to other members of the Board, unless, exceptionally, it would be inappropriate to do so.

8. Engagement with shareholders

The Committee chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

9. Duties

The Committee should have oversight of the Company and its subsidiaries (Group) as a whole and (unless required otherwise by regulation) carry out the following duties for the Company or Group as appropriate:

9.1 Financial reporting

9.1.1 to:

- monitor the integrity of the financial statements of the Company or Group, including its annual and half yearly reports and any formal announcements relating thereto and any other formal announcements relating to the Group's financial performance;
- review and report to the Board on significant financial reporting issues and judgements contained in them, having regard to matters communicated to it by the external auditor; and
- review any other statements requiring Board approval which contain financial information, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements in accordance with applicable laws and regulations including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

9.1.2 to review and challenge where necessary:

- the assumptions or qualifications in support of the going concern statement;
- the methodology and key assumptions in the long-term viability statement;
- the application of, and any changes to, significant accounting policies on a year on year basis and across the Group;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and
- all material information presented with the financial statements, such as the strategic report and the corporate governance statements (in so far as it relates to the work of the Audit Committee).

9.1.3 where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

9.2 Narrative reporting

- 9.2.1 the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

9.3 Internal controls and risk management systems

- 9.3.1 keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems and, at least annually, carry out a review of their effectiveness;
- 9.3.2 undertake a robust assessment and review of the emerging and principal risks that may impact the Company's business model, future performance, solvency or liquidity and reputation; and
- 9.3.3 review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks and the viability statement.

9.4 Speaking-up and fraud

- 9.4.1 periodically review the adequacy and security of the arrangements by which employees and contractors of the Company may, in confidence, raise concerns about possible wrongdoing in financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- 9.4.2 review the Company's procedures for detecting fraud;
- 9.4.3 review the adequacy of the Company's systems and controls for ethical behaviour and the prevention of bribery and corruption and receive reports on any non-compliance;
- 9.4.4 report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and make recommendations as to steps to be taken.

9.5 **Internal Audit**

9.5.1 approve the appointment and termination of the Group head of audit and assurance;

9.5.2 annually approve the remit of the internal audit function to ensure:

- that it is appropriate for the current needs of the organisation;
- that it has unrestricted scope, adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- that the function has adequate standing and is free from management or other restrictions; and
- that the Group head of audit and assurance has direct access to the Chair of the Board and to the chair of the Committee, providing independence from the executive and is accountable to the Committee.

9.5.3 monitor and review the effectiveness of the Company's internal audit function, including:

- reviewing and assessing the annual internal audit plan to ensure it is aligned with the key risks of the business;
- receiving reports from the Group head of audit and assurance on the work of the internal audit function on a periodic basis;
- determining whether the Committee is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
- reviewing and monitoring management's responsiveness to the findings and recommendations of the internal audit function and to support the effective working of the internal audit function;
- meeting with the Group head of audit and assurance at least once a year without the presence of management, to discuss their remit and any issues arising from the internal audits carried out; and
- monitoring and assessing the role and effectiveness of the internal audit function in the overall context of the Company's risk management system.

9.5.4 consider whether an independent, third party review of processes is appropriate.

9.6 **External audit**

9.6.1 to make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, regarding the appointment, re-appointment or removal of the external auditor, and if the external auditor resigns, to investigate the issues giving rise to the resignation and consider whether any action is required;

9.6.2 taking into account the UK Corporate Governance Code (the "Code") and relevant legal and regulatory framework, ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;

- 9.6.3 to oversee the relationship with the external auditor including (but not limited) to:
- approve their terms of engagement, including any engagement letter issued at the start of each audit and to review the scope of the audit;
 - agreeing the remuneration to be paid to the external auditor in respect of audit and non-audit services, ensuring that the level of fee is appropriate to enable an effective and high-quality audit to be conducted;
 - assess annually the external auditor's independence and objectivity and the effectiveness of the audit process, having regard to relevant UK law, regulation, the Ethical Standard and other professional requirements, and the relationship with the external auditor, including any threats to the auditor's independence and the safeguards to mitigate those threats, including the provision of any non-audit services;
 - seek reassurance that the external auditor and its staff have no financial, business, employment, family or other personal relationship with the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
 - monitor compliance with the Company's policy on the employment of former employees of the Company's external auditor taking into account the Ethical Standard and legal requirements;
 - monitor the external auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard including the guidance on the rotation of the audit partner and staff;
 - monitor the level of fees paid by the Company compared with the overall fee income of the firm, office and partner and assess these in the context of the relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
 - assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - seek to ensure co-ordination of the external audit with the activities of the internal audit function;
 - meet regularly with the external auditor including at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
 - evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
 - develop and recommend to the Board the Group's formal policy on the provision of non-audit services by the external auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit services to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy to include consideration of:
 - threats to independence and objectivity of the external auditor and any safeguards in place;
 - the nature of the non-audit services;
 - whether an external audit firm is the most suitable supplier of the non-audit service;
 - the fees for the non-audit services both individually and in aggregate, relative to the audit fee; and
 - the criteria for determining compensation.
 - keep the policy for the provision of non-audit services under review.

- 9.6.4 to discuss with the external auditor the factors that could effect audit quality and review and approve the annual audit plan, including planned levels of materiality, to ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 9.6.5 to review the findings of the audit with the external auditor, including:
- a discussion of any major issues arising during the audit;
 - the auditor's explanation of how the risks to audit quality were addressed;
 - key accounting and audit judgements;
 - the auditor's view of their interactions with senior management; and
 - levels of errors identified during the audit.
- 9.6.6 the Committee shall also:
- review the representation letter(s) requested by the external auditor before being signed by management;
 - review the management letter and management's response to the external auditor's findings and recommendations; and
 - review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

10. Reporting responsibilities

- 10.1 The chair of the Committee shall report to the Board on the Committee's proceedings at the Board meeting following each Committee meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
- the significant issues that it considered in relation to the financial statements and how these were addressed;
 - its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - any other issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3 The Committee shall produce a report to be included in the Company's annual report about its activities. The report should describe the work of the audit committee, including:
- the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
 - an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code; and
 - in compiling the reports referred to in 10.1 and 10.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

11. Other matters

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.3 give due consideration to relevant laws and regulations, the provisions of the Code and published guidance, and the requirements of the Listing, Prospectus and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 11.4 be responsible for co-ordination of the internal and external auditors;
- 11.5 oversee any investigation of activities which are within its terms of reference;
- 11.6 work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- 11.7 review its own performance, its constitution and its terms of reference on at least an annual basis to ensure it is operating effectively and make recommendations to the Board of any changes considered necessary.

12. Authority

12.1 The Committee is authorised by the Board:

- to investigate any activity within its terms of reference and any concerns as to financial impropriety that arise;
- to seek any information, it requires from any employee (and all employees are directed to co-operate with any request made by the Committee);
- to obtain outside legal or other independent professional advice in connection therewith; and
- to have the right to publish in the annual report details of any disagreement which cannot be resolved between the Committee and the Board.