

TERMS OF REFERENCE

OF THE AUDIT COMMITTEE

Approved by the Board on 20 March 2017.

Reviewed by the Board on 7th December 2020

1. Membership

The Committee shall consist of not less than two Directors appointed by the Board, on the recommendation of the Nomination Committee, at least one of whom shall be an independent non-executive director and shall exclude the Chairman of the Board.

At least one member of the Committee shall have significant, recent and relevant financial experience and provision will be made for an induction programme and suitable training for all members of the Committee.

The Board, on the recommendation of the Nomination Committee, shall appoint a Chairman of the Committee from the members of the Committee. In the absence of the Chairman of the Committee and/or an appointed deputy, the remaining member(s) present shall elect one of their numbers present to chair the meeting.

The Board shall have the power at any time to remove any member from the Committee and to fill any vacancies so created. Appointments to the Committee shall be for a period of up to three years which may be extended for a further period of up to three years, provided that the director still meets the criteria for membership of the Committee.

2. Secretary

The Company Secretary or their nominee shall be the Secretary of the Committee.

3. Meetings – Frequency and Quorum

The Committee shall meet at least two times a year at appropriate times in the reporting and audit cycle and otherwise as required. The meetings may take place via tele-conference.

The quorum necessary for the transaction of business shall be two members present throughout the meeting. A duly convened meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or excisable by the Committee.

4 Attendance at Meetings

Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as Chairman of the board, Chief Executive, Finance Director, other Directors, heads of internal audit and risk and the external audit partners may be invited to attend all or part of any meeting as and when appropriate and necessary. The meetings may take place via tele-conference.

5 Notice of Meetings

Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, and any other person required to attend no later than 5 working days before the date of the meeting.

6. Minutes of Meetings

Minutes of meetings shall be taken by the Secretary of the Committee and shall be reviewed and approved by the members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless a conflict of interest exists.

7. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond any shareholder questions on the Committee's activities.

8. Duties

The Committee shall carry out the duties below:

8.1 Financial reporting

8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

8.1.2 In particular, the Committee shall review and challenge where necessary:

- the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity of disclosure in the company's financial reports and the context in which statements are made; and

- all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8.2 Internal controls and risk management systems

The Committee shall:

- 8.2.1 keep under review the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems; and
- 8.2.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.3 Compliance, whistleblowing and fraud

The Committee shall:

- 8.3.1 review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
- 8.3.2 review the company's procedures for detecting fraud.
- 8.3.3 review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

8.4 Internal audit

The Committee shall:

- 8.4.1 consider annually the need for an internal audit function.

8.5 External Audit

The Committee shall:

- 8.5.1 consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required
- 8.5.2 oversee the relationship with the external auditor including (but not limited to):
- recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
 - assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, 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 the company (other than in the ordinary course of business)
 - agreeing with the board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy
 - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements
 - assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures
 - seeking to ensure co-ordination with the activities of the internal audit function
- 8.5.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit. The meeting(s) can take place via tele-conference.
- 8.5.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement
- 8.5.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following

- a discussion of any major issues which arose during the audit
- any accounting and audit judgements
- levels of errors identified during the audit
- the effectiveness of the audit

The Committee shall also:

- 8.5.6 review any representation letter(s) requested by the external auditor before they are signed by management
- 8.5.7 review the management letter and management's response to the auditor's findings and recommendations
- 8.5.8 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

9. Reporting and Accountability

- 9.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each Committee meeting on all matters within its duties and responsibilities, to account to the Board for the Committee's work and make recommendations to the Board concerning the adoption of the annual and interim financial statements and any other matters arising from the responsibilities set out below.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action of improvement is needed.
- 9.3 The Committee shall produce a report on its activities to be included in the Company's annual report.

10. Remuneration

The Chairman of the Committee shall, in addition to his remuneration as member, receive a further sum as determined by the Board.

Special remuneration payable under this head shall be in addition to the annual and attendance fees payable to Directors.

The remuneration payable under the terms hereof shall accrue from day to day and shall be paid as soon as convenient after the end of each calendar quarter. The above fees shall be subject to review by the Board from time to time.

11. Other

The Committee shall at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.

The Committee shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the UKLA's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules as appropriate.

12. Authority

The Committee is authorised to seek any information or services it requires from any employee and all employees shall be required to co-operate with any request made by the Committee in the course of its duties; and

The Committee may obtain, at the Company's expense, such outside legal or other independent professional advice both inside and outside of the Company considered necessary to perform its duties.