

**AUDIT COMMITTEE
TERMS OF REFERENCE
adopted 12 May 2020**

1. Membership

- 1.1 The Committee shall comprise of a Chairman and at least two other members. Members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee.
- 1.2 All members of the Committee shall be independent non-executive directors.
- 1.3 At least one member of the Committee will have recent and relevant financial experience and competence in accounting or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.4 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.5 The Chairman of the Company is not eligible for membership of the Committee.
- 1.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the Committee member remains independent.

2. Secretary

- 2.1 The Company Secretary or his/her nominee shall act as the Secretary of the Committee.

3. Quorum

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

4. Frequency of Meetings

- 4.1 The Committee shall meet not less than four times a year and at such other times as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of the internal/external auditors, if they consider it necessary.

- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda and supporting documentation, shall be forwarded to each member of the Committee, any other person required to attend no fewer than three working days prior to the date of the meeting.
- 5.3 Only members of the Committee have the right to attend Committee meetings. Other persons including the Chairman of the Company, the Chief Executive, the Chief Financial Officer, Internal Auditor, other directors and representatives from the finance function may be invited to attend meetings if considered appropriate.
- 5.4 The External Auditor will be invited to attend meetings on a regular basis.

6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee, and, when agreed, to all members of the Board. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

7. Annual General Meeting

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

8. Duties

The Committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1 Financial Reporting

- 8.1.1 The Committee shall monitor the integrity and truth and fairness of the financial statements of the Company. These include its annual and interim reports; trading statements; preliminary results' announcements; and any other formal announcement relating to the Company's financial performance; and its responsibilities shall include reviewing any significant financial reporting issues and judgements which they contain, provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the Listing Rules.
- 8.1.2 The Committee shall review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature, provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the Listing Rules.

8.1.3 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 and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- 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, risk management and internal control); and
- compliance with relevant legislative requirements.

8.1.4 The Committee shall report to the main Board and make appropriate recommendations based on the above review. The Committee shall at the request of the Board advise the Board whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for the Company's shareholders to assess the Group's position and performance, business model and strategy. The Committee shall recommend to the Board whether or not to approve the financial statements of the Company/Group.

8.1.5 The Committee shall determine whether or not proper books of account have been kept in accordance with legislation.

8.2 **Internal Controls and Risk Management System**

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;
- 8.2.2 review and approve the statements to be included in the Annual Report concerning internal controls and risk management;
- 8.2.3 review the Group's Treasury Policy and Annual Treasury Plan and make recommendations to the Board; and
- 8.2.4 assist the Board in the discharge of the Board's responsibility for assessing and identifying the emerging and principal risks facing the Company, including by bringing to the attention of the Board any issues the Committee has identified which may assist in the Board's assessment and on-going identification and/or monitoring of any such risks and the steps being taken to manage and/or mitigate such risks, as appropriate;

8.3 Compliance and whistleblowing regarding financial wrongdoing, fraud and bribery

8.3 The Committee shall:

8.3.1 Review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other financial or accounting matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up actions;

8.3.2 review the Company's policies, systems and controls for the prevention of and procedures for detecting fraud; and receive reports on non-compliance and,

8.3.3 review the Company's policies, systems and controls for the prevention of and procedures for detecting bribery and receive reports on non-compliance.

8.3 Internal Audit

The Committee shall:

8.3.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;

8.3.2 approve the appointment and removal of the head of the internal audit function;

8.3.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its functions effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

8.3.4 review and assess the annual internal audit plan;

8.3.5 review promptly all reports addressed to the Committee from the internal auditors;

8.3.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

8.3.7 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

8.4 External Audit

The Committee shall:

8.4.1 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 new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- 8.4.2 to ensure that at least once every ten years the external 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 external auditor with those of other audit firms and in respect of such tender develop and oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- 8.4.3 oversee the relationship with the external auditor including (but not limited to):
- recommendations on their remuneration, (both fees for audit or non audit services) and consideration of whether 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;
 - reviewing the disclosure of Auditors' Remuneration in the financial statements to ensure compliance with relevant legislation;
 - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including a review of the external auditors' internal policies and procedures for maintaining independence and objectivity;
 - 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) that affect the independence and objectivity of the auditor, taking into consideration relevant professional and regulatory guidelines;
 - recommending to 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 partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures and approach to audit quality;
- 8.4.4 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 auditors at least once a year, without management being present, to discuss the remit and any issues arising from the audit;
- 8.4.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.4.6 review the effectiveness and 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; and

- any risks to audit quality identified and how these have been addressed.
- 8.4.7 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.4.8 review the management letter and management's response to the auditor's findings and recommendations; and
- 8.4.9 develop and implement a policy on the supply of non audit services by the external auditor, ensuring there is prior approval of non audit services, considering the impact this may have on independence, taking into account any relevant ethical guidance and legal requirements on the matter, and reporting to the Board on any improvement or action required.

8.5 Reporting Responsibilities

- 8.5.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.5.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.5.3 The Committee shall produce a report to shareholders on its activities to be included in the Company's Annual Report, explaining in particular the work done by the Committee in relation to the oversight of risk management. The report should include:
- 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 effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;
 - in the case of the Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position; and
 - if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.

8.6 Other Matters

The Committee shall:

- 8.6.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 8.6.2 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;

- 8.6.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the London Stock Exchange's and UK Listing Authority's Listing Rules, and Market Abuse and Transparency Regulations as appropriate;
- 8.6.4 be responsible for co-ordination of the internal and external auditors;
- 8.6.5 oversee any investigation of activities which are within its terms of reference;
- 8.6.6 arrange for periodic reviews of its own performance, at least annually, review its 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; and
- 8.6.7 arrange a programme of separate and joint meetings with management, the auditors and the internal auditors.

9. Authority

The Committee is authorised:

- 9.1 to seek any information it requires from any employee of the company in order to perform its duties;
- 9.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 9.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 9.4 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.