

THE AUDIT COMMITTEE

TERMS OF REFERENCE

Reference to “the Committee” shall mean the Audit Committee.

Reference to “the Board” shall mean the Board of Directors.

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least 3 members, each of whom is an independent non-executive director.
- 1.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The audit committee as a whole shall have competence relevant to the sector in which the company operates. The Chairman of the board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Finance Director, other directors and representatives from the finance function and internal audit may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis as determined by the Audit Committee Chairman.
- 1.5 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 director remains independent.
- 1.6 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. 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.
- 1.7 Care should be taken by the Committee to minimise risk of any conflict of interest that might be seen to give rise to an unacceptable influence.

2. Secretary

- 2.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be 2 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 at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

- 4.2. Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the company's governance, including the board chairman, the chief executive, the finance director, the external audit lead partner and the internal audit partner.

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 external or internal 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 of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

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. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

7. Annual general meeting

The committee chairman should attend the annual general meeting to answer shareholder questions on the committee's activities.

8. Duties

The Committee shall:

- 8.1. Monitor the integrity of the financial statements of the Company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them including:
 - 8.1.1. the review, and challenge where necessary of, the actions and judgements of management in relation to: the company's financial statements (and material information presented with them); strategic report; interim reports, preliminary announcements and related formal statements before submission to the Board;
 - 8.1.2. the Committee shall pay particular attention to: significant accounting policies and practices, and any changes in them; significant financial reporting issues, estimates and decisions requiring a major element of judgement; the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed; the clarity and completeness of disclosures; significant adjustments resulting from the audit; the going concern assumption and viability statement; compliance with accounting standards; compliance with regulatory and legal requirements; and

- 8.1.3. reviewing and approving the company's statement on internal control and risk management prior to endorsement by the Board.
- 8.2. Review and monitor the Company's internal financial controls and internal control and risk management systems including:
 - 8.2.1. the Company's arrangements by which employees and contractors may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters and by which the Company ensures appropriate investigation and follow-up action;
 - 8.2.2. the integrity of the Company's internal financial controls, including management's and the internal auditor's reports on the effectiveness of systems of internal financial control, financial reporting and risk management;
 - 8.2.3. the steps taken to ensure that new products, operations and activities are integrated into the framework and philosophy of internal control;
 - 8.2.4. the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks, including fraud, and the related internal control systems;
 - 8.2.5. the Company's systems and controls for the prevention of bribery and receipt of reports on non-compliance;
 - 8.2.6. the statements included in the annual report on internal control and management of risk; and
 - 8.2.7. monitor compliance with applicable external legal and regulatory requirements.
- 8.3. Monitor and review internal audit including:
 - 8.3.1. the effectiveness of the arrangements for internal audit; the appointment and removal of the person and firm responsible of the operation of the Internal Audit function. This person should have unfettered access to the Audit Committee and its Chairman;
 - 8.3.2. internal audit's remit and programme and ensure that it is adequately resourced and has appropriate standing within the Company;
 - 8.3.3. management's response to major internal audit recommendations;
 - 8.3.4. receiving a report on the results of the internal auditor's work on a periodic basis;
 - 8.3.5. meeting with the internal audit function at least once a year without the presence of management; and
 - 8.3.6. the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system.
- 8.4. establish and oversee the Company's relationships with the external auditor including:

- 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, reappointment and removal of the external auditor;
- 8.4.2. the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided, recommending the audit fee to the Board;
- 8.4.3. the qualification, expertise and resources of the external auditors annually;
- 8.4.4. the independence and objectivity of the external auditor annually;
- 8.4.5. the external audit firm's compliance with United Kingdom ethical guidance and its policies and procedures for maintaining independence and monitoring compliance with relevant requirements;
- 8.4.6. the Company's policy on the provision of non-audit services by the auditor, taking into account relevant ethical guidance, and ensure that the provision of such services does not impair the external auditor's independence or objectivity, taking into account the criteria which govern the compensation of the individuals performing the external audit;
- 8.4.7. the explanation in the annual report of how auditor objectivity and independence are safeguarded;
- 8.4.8. the Company's policy for the employment of former employees of the external auditor;
- 8.4.9. the nature and scope of the audit in order to ensure that appropriate plans are in place at the start of each annual cycle;
- 8.4.10. the findings of the external auditors work, including but not limited to any major issues, resolved and unresolved; compliance with accounting standards; key accounting and audit judgements; levels of errors identified; and obtaining explanations for unadjusted errors;
- 8.4.11. meeting the external auditors without management being present to discuss the auditor's remit and any issues arising from the audit;
- 8.4.12. a review of the audit representation letters before signature by management;
- 8.4.13. the assessment, at the end of the annual external audit cycle, the effectiveness of the external audit process, taking into account relevant UK professional and regulatory requirements;
- 8.4.14. the content of the external auditor's management letter and other, major internal control recommendations and management's responses to the findings and recommendations; and
- 8.4.15. investigation of any issues and consideration of appropriate actions in the event that the external auditor resigns; the development and application of a formal process on reviewing the existing audit contract and the criteria and arrangements for re-tendering that contract;
- 8.5. Oversee the work of the Cyber Security and Information Technology sub-committee which the Committee has established and to which it has sub-delegated responsibility for cyber security and information technology matters pertaining to the Company and its subsidiaries. Oversight

of the work of the Cyber Security and Information Technology sub-committee would include review of reports produced by and meeting minutes of the sub-committee.

8.6. Oversee other matters including:

8.6.1. the arrangements and where relevant the work and outputs of other external advisors appointed in areas that fall within or overlap the Committee's responsibilities; and

8.6.2. other topics, as defined by the Board.

8.7. Where requested by the Board, provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

9. Reporting

9.1. The Committee shall report to the Board on its proceedings after each meeting, including in the report: any matters in respect of which it considers that action or improvement is needed or when it is not satisfied with any aspect of the proposed financial reporting and making recommendations as to the steps to be taken; Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and any other issues on which the board has requested the Committee's opinion.

9.2. The Committee shall compile a report on its activities to be included in the annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; an all other information requirements set out in the UK Corporate Governance Code (the Code).

9.3 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairman of the Committee shall, as a minimum, attend the Board meeting at which the accounts are approved.

9.4. The role and responsibilities of the Committee and the actions taken by the Committee to discharge those responsibilities shall be disclosed in the annual report and accounts

9.5. The Chairman of the Committee shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and their responsibilities.

10. Other Matters

The Committee shall:

10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

10.2 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;

10.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;

- 10.4 oversee any investigation of activities which are within its terms of reference;
- 10.5 work and liaise as necessary with all other board committees; and
- 10.6 arrange for periodic reviews of its own performance and, 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.

11. Authority

The Committee is authorised:

- 11.1. to seek any information it requires from any employee of the company in order to perform its duties;
- 11.2. to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 11.3. to call any employee to be questioned at a meeting of the Committee as and when required.

THE AUDIT COMMITTEE

MEMBERS

Giles Kerr (chairman)
Gill Barr
Rakesh Sharma