

## **THE AUDIT COMMITTEE TERMS OF REFERENCE**

### **CONSTITUTION**

The Board has established a Committee of the Board to be known as the Audit Committee (the "Committee").

### **MEMBERSHIP**

Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the Chair of the Committee.

All members of the Committee shall be independent Non-Executive Directors of the Company and at least one member shall have recent and relevant financial experience.

The Committee as a whole shall have competence relevant to the sector in which the Company operates.

The Committee shall consist of not less than three members. The Chair of the Board shall not be a member of the Committee.

### **CHAIR**

The Chair of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### **SECRETARY**

The Company Secretary or their nominee shall act as 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.

### **QUORUM**

A quorum 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.

### **ATTENDANCE AT MEETINGS**

Only members of the Committee have the right to attend Committee meetings. Other non-members such as the Chair of the Board, the Executive Directors, the Vice President Operational Audit & Risk and representatives from the Group Finance function may be invited to attend all or part of any meeting when appropriate and necessary. The external auditor is also invited to attend meetings on a regular basis.

### **FREQUENCY OF MEETINGS**

The Committee shall meet not less than three times a year and will generally be held to coincide with key dates within the financial reporting and audit cycle and otherwise as required.

Outside the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner, the Company Secretary, the Vice President Operational Audit & Risk, and anyone else as and when required.

## **NOTICE OF MEETINGS**

Meetings of the Committee shall be convened 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 Vice President Operational Audit & Risk if they consider it necessary.

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 generally within five 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.

Notices, agendas and supporting papers can be sent in electronic form.

## **MINUTES OF MEETINGS**

The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

Draft minutes of the Committee meetings shall be agreed with the Chair of the Committee. Once approved by the Committee, minutes should be circulated to all members of the Board and the external auditor, unless it would be inappropriate to do so in the opinion of the Chair of the Committee.

## **ENGAGEMENT WITH SHAREHOLDERS**

The Chair of the Committee shall attend the Company's annual general meeting and shall answer shareholder questions on the Committee's activities and its responsibilities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's area of responsibility

## **DUTIES**

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate:

### **1. Financial Reporting**

1.1. The Committee shall monitor the integrity of all financial statements of the Company, (including its annual and half-yearly reports, preliminary results' announcements, trading updates and any other formal statements relating to its financial performance), reviewing and reporting to the Board on significant financial reporting issues and judgements which those statements contain (having regard to matters communicated to it by the external auditor).

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

- 1.2.1. the application of significant accounting policies and practices across the Group and any changes to them;
- 1.2.2. whether the Company has followed appropriate accounting policies and standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 1.2.3. the extent to which the financial statements are affected by any significant and unusual transactions in the year and how these are disclosed and the methods used to account where different approaches are possible;
- 1.2.4. the clarity and completeness of disclosures in the Company's financial statements and the context in which statements are made;
- 1.2.5. all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management;
- 1.2.6. 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 under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook;
- 1.2.7. significant adjustments resulting from the audit;
- 1.2.8. the going concern assumption;
- 1.2.9. the process and assessment of the Group's longer-term viability;
- 1.2.10. information from the annual financial statements of the Group pension funds;  
and
- 1.2.11. 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.

## **2. Narrative Reporting**

The Committee shall 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 and key messages necessary for shareholders to assess the Group and Company's position and 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 current UK Corporate Governance Code (the "Code").

## **3. Internal Controls and Risk Management**

The Committee shall:

- 3.1. keep under review the Group's internal risk management and internal control framework that identify, assess, manage and monitor financial risks, and other operational controls and risk management systems, and at least annually, carry out a review of its effectiveness;

- 3.2. review and recommend to the Board the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives
- 3.3. review and approve the Company's statements to be included in the annual report and other financial statements concerning internal control and risk management, including the assessment of principal risks and emerging risks, together with the going concern and viability statements.

#### **4. Operational Audit**

The Committee shall:

- 4.1. review and approve the remit of the operational audit function, monitor and review the effectiveness of its work, and annually approve the operational audit charter ensuring it is appropriate for the current needs of Company;
- 4.2. review and approve the annual operational audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- 4.3. ensure that the operational audit function is adequately resourced and has appropriate access to information to enable it to perform its function effectively and is equipped to perform in accordance with the relevant professional standards;
- 4.4. ensure that the operational audit function has adequate standing within the Company and is free from management or other restrictions;
- 4.5. ensure that the Vice President Operational Audit & Risk has direct access to the Chair of the Board and the Committee Chair, providing independence from the Executive Directors and is accountable to the Committee;
- 4.6. approve the appointment or termination of the Vice President Operational Audit & Risk;
- 4.7. carry out an annual assessment of the effectiveness of the operational audit function; and as part of this assessment:
  - 4.7.1. review all summaries and reports submitted by operational audit on a periodic basis;
  - 4.7.2. review the actions taken by management to implement the recommendations of the operational audit function and to support the effective working of the operational audit function;
  - 4.7.3. review and assess the annual operational audit plan; and
  - 4.7.4. determine whether it is satisfied with the quality, experience and expertise of operational audit and that it is appropriate for the business. Meet the Vice President Operational Audit & Risk, without management being present, to discuss their remit, effectiveness of the function, and any issues arising from the operational audits carried out.
- 4.8. monitor and assess the role and effectiveness of the operational audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor; and
- 4.9. consider whether an independent, third party review of processes is appropriate.

## **5. Compliance, Whistleblowing, Fraud and Data Protection**

The Committee shall:

- 5.1. review the adequacy and security of Company's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in matters of financial reporting, control or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- 5.2. review the Company's procedures for detecting fraud;
- 5.3. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 5.4. receive regular updates on compliance matters and keep under review the adequacy and effectiveness of the Company's compliance function; and
- 5.5. receive regular reports from the Group's Data Protection Officer.

## **6. External Audit**

The Committee shall:

- 6.1. 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;
- 6.2. develop and oversee the selection process for the appointment of the audit firm, in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to necessary information and individuals during the tendering process.
- 6.3. if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 6.4. oversee the relationship with the external auditor. In this context the Committee shall:
  - 6.4.1 approve their remuneration, including both fees for audit or non-audit services and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
  - 6.4.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 6.5. annually assess the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the external auditor as a whole, including any threats to the external auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;

- 6.6. satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
- 6.7. agree with the Board a policy on the employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements, and monitor the implementation of this policy;
- 6.8. monitor the external auditors' processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard including guidance on the rotation of audit partners and staff;
- 6.9. monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 6.10. annually assess 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;
- 6.11. seek to ensure co-ordination of the external audit with the activities of the operational audit function;
- 6.12. 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;
- 6.13. develop and recommend to the Board the Company'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 should include consideration of the following matters:
  - 6.13.1. threats to objectivity and independence of the external auditor, any safeguards in place and taking into account relevant guidance on the matter;
  - 6.13.2. nature of the non-audit services;
  - 6.13.3. whether the external audit firm is the most suitable supplier of the non-audit service;
  - 6.13.4. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - 6.13.5. the criteria governing compensation.
- 6.14. meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;

- 6.15. discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the external audit team;
- 6.16. review the findings of the audit with the external auditor. This shall include (but not be limited to) the following:
  - 6.16.1. a discussion of any major issues which arose during the audit;
  - 6.16.2. the external auditor's explanation of how the risks to the audit quality were addressed;
  - 6.16.3. key accounting and audit judgements;
  - 6.16.4. the external auditor's view of interactions with senior management; and
  - 6.16.5. levels of errors identified during the audit.
- 6.17. review the representation letters requested by the external auditor, before they are signed by management;
- 6.18. review the management letter and management's response to the external auditor's findings and recommendations; and
- 6.19. review the effectiveness of the external audit process, including an assessment of the quality of the external audit, the handling of key judgements by the external auditor, and the external auditor's response to the questions from the Committee.

## **REPORTING RESPONSIBILITIES**

The Chair of the Committee shall report formally to the Board on its proceedings after each meeting, or at the earlier opportunity, 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 (required under paragraph 1.1 and how these were addressed);
- Its assessment of the effectiveness of the external audit process (required under paragraph 6.10), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tenure was last conducted and advance notice of any retendering plans;
- Any other issues on which the Board has requested the Committee's opinion.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the 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.
- In compiling the reports referred to above, 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.

## **OTHER MATTERS**

The Committee shall:

- give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- oversee any investigation of activities which are within its terms of reference;
- be responsible for oversight of the coordination of the operational and external auditors;
- work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- have access to sufficient resources to carry out its duties, including access to the Company Secretariat for advice and assistance as required;
- 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; and
- 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.

## **AUTHORITY**

The Committee is authorised by the Board to investigate any activity within its Terms of Reference, and to:



- seek any information it requires from any employee of the Company, in the performance of its duties;
- call any employee to be questioned at a meeting of the Committee as and when required;
- obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so; and
- 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. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

**Approved by the Board on 15 May 2024**