Terms of Reference for the Audit Committee

1. Membership

1.1 The Committee shall comprise at least two members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee.

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 and with competence in accounting and/or auditing. The 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. The Chief Executive Officer, Chief Financial Officer, other Directors, representatives of the external auditors or other persons shall attend meetings at the invitation of the Committee, to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

1.4 The Board shall appoint the Committee Chair. 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.

2. Secretary

The Company Secretary, or his or her 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 issues.

3. Quorum

The quorum necessary for the transaction of business shall be two members, both of whom must be independent Non-executive Directors.

4. Frequency of meetings

4.1 The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting programme, the Committee Chair, and to a lesser extent the other Committee members will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, the Chief Financial Officer, the External Audit lead partner and the Head of Internal Audit.

5. Notice of meetings

5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the External Audit lead partner or Head of Internal Audit if they consider it necessary.

5.2 Unless otherwise agreed by the Committee, 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 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.

6. Minutes of meetings

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

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chair.

7. Annual General Meeting

The Committee Chair should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

8. Role and responsibilities

8.1 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.

8.2 Financial reporting:

8.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary financial results announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

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

- The application, consistency of and any changes in significant accounting policies and practices both on a year on year basis and across the Group.
- Significant financial reporting judgements.
- Significant adjustments resulting from the audit.
- The Going Concern assumption and Viability Statement.
- Compliance with accounting standards.
- Compliance with the Financial Conduct Authority UK Listing Rules for Companies and other stock exchange and legal requirements, the UK Corporate Governance Code issued by the Financial Reporting Council and the Disclosure and Transparency Rules.
- 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 consistency of all material information presented with the financial statements 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, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- Review legal disclosure or other matters that may have a material impact on the Company's financial position, financial statements or reputation.

8.2.3 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval which would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

8.2.4 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.

8.3 Narrative reporting

Where requested by the Board, 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 UK Corporate Governance Code.

8.4 Internal controls and risk management systems

On behalf of the Board (which retains overall responsibility for risk management), the Committee shall:

8.4.1 Carry out a robust assessment of the Company's emerging and principal risks and confirm in the annual report that it has completed this assessment, including a description of its principal risks, what procedures are in place to identify emerging risks, and an explanation of how these are being managed or mitigated.

8.4.2 Monitor and keep under review the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance.

8.4.3 Review and approve the statements to be included in the Annual Report concerning internal controls and risk management and the Viability Statement.

8.4.4 Review the Company's guidelines and policies that govern the process for risk assessment and risk management.

8.4.5 Review the operation of the Group Risk Management Committee in assisting the Board and Audit Committee with its oversight of the management and assessment of risk.

8.5 Compliance, whistleblowing and fraud

The Committee shall:

8.5.1 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.

8.5.2 Review the Company's procedures for detecting fraud.

8.5.3 Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

8.6 Internal audit

The Committee shall monitor and review the effectiveness of the Company's internal audit function. In particular, the Committee shall:

8.6.1 Approve the appointment or termination of appointment of the Head of Internal Audit.

8.6.2 Review and approve the role and mandate of Internal Audit , monitor and review the effectiveness of its work, and annually approve the Internal Audit Charter, ensuring it is appropriate for the current needs of the organisation and that the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.

8.6.3 Ensure the Internal Auditor has direct access to the Board Chairman and to the Committee Chair, and is accountable to the Committee.

8.6.4 Review, assess and approve the annual internal audit work plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out.

8.6.5 Review and monitor management's responsiveness to the Internal Auditor's findings and recommendations.

8.6.6 Meet with the Head of Internal Audit at least once a year without the presence of management.

8.6.7 Review and monitor the Internal Auditor's independence and objectivity and the effectiveness of the internal audit process in the context of the Company's overall risk management system.

8.7 External audit

The Committee shall:

8.7.1 Conduct the tender process and make recommendations to the Board about the appointment, reappointment and removal of the external auditor, and approve the remuneration and terms of engagement of the external auditor.

8.7.2 Ensure 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.

8.7.3 Develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms in respect of such tender have such access as is necessary to information and individuals during the duration of the tendering process.

8.7.4 If an auditor resigns, investigate the issues leading to this and decide whether any action is required.

8.7.5 Oversee the relationship with the external auditor including (but not limited to):

- Approval of their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality 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 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) which could adversely affect the auditor's independence and objectivity.
- Agreeing with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements and 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 independence of the external auditor. The effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- Seeking to ensure co-ordination of the external audit with the activities of the internal audit function.
- Evaluating the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee, and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.

8.7.6 Develop and implement the Company's formal policy on the provision of non-audit services by the auditor, ensuring there is prior approval of non-audit services by the Committee, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required.

8.7.7 The Policy should include consideration of the following matters:

- Threats to the independence and objectivity of the external auditor and any safeguards in place.
- The nature of non-audit services and the types of non-audit services to be pre-approved.
- Whether the non-audit services have a direct or material effect on the audited financial statements.

- Whether the external audit firm is the most suitable supplier of the non-audit service.
- The fees for non-audit services, both individually and in aggregate, relative to the audit fee, and;
- The criteria governing compensation

8.7.8 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, without management being present, to discuss the auditor's remit and any issues arising from the audit.

8.7.9 Discuss with the external auditor the factors what could affect audit quality.

8.7.10 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

8.7.11 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
- The auditor's explanation of how risks to audit quality were addressed
- Key accounting and audit judgements
- The auditor's view of their interaction with senior management
- Levels of errors identified during the audit, and
- The effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements, including an assessment of the quality of the audit, handling of key judgements by the auditor and the auditor's response to questions from the Committee.

8.7.12 The Committee shall also:

- Review any representation letter(s) requested by the external auditor before they are signed by management
- Review the management letter and management's response to the auditor's findings and recommendations.

9. Reporting responsibilities

9.1 The Committee Chair shall report formally to the Board on its proceedings after each 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, the approach taken to 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.

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

9.3 The Committee shall compile a report on its activities to be included in the Company's Annual Report. The report should include:

- The significant issues that the Committee considered relating to the financial statements, and how these issues were addressed
- An explanation of how it 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
- 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 (this should also be supplied in any papers recommending appointment or reappointment)
- An explanation of how auditor independence and objectivity are safeguarded, if the external auditor provides non-audit services.

9.4 In the compiling the reports referred to in 9.1 and 9.3, 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.

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 Review the Company's policies and procedures regarding compliance with applicable legal and regulatory requirements.

10.4 Be responsible for co-ordination of the internal and external auditors.

10.5 Oversee any investigation of activities which are within its terms of reference.

10.6 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 difference committees.

10.7 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 to:

11.1 Seek any information it requires from any employee of the Company in order to perform its duties.

11.3 obtain outside legal or other independent professional advice, at the Company's expense, and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

11.4 Call any employee to be questioned at a meeting of the Committee as and when required.

11.5 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.