

The Audit Committee

Non-executive Director (Chairman)	Mr N Warner
Non-executive Director	Dr P O Andersson
Non-executive Director	Mr T Werner
Non-executive Director	Ms J Thompson

1.1. Membership

The Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee, and shall comprise at least three members who shall be independent Non-executive Directors. At least one member shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies and the committee as a whole shall have competence relevant to the sector in which the company operates. Where possible, it should also include a member of the Remuneration Committee.

1.2. Quorum

The quorum for any meeting of the Committee shall be two members.

1.3. Meetings

- i) The Committee shall meet not less than three times in each financial reporting year at appropriate intervals in the financial reporting and audit cycle for the full and half year reports and otherwise as required. Outside 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 Chief Finance Officer and the external audit lead partner.
- ii) Additional meetings will be called as deemed necessary.
- iii) Any member of the Committee or the Company's external auditors may convene a meeting at any time.
- iv) Meetings may be held by telephone or video conference or other method, as appropriate.
- v) A formal agenda will be set for all meetings and minutes will be retained.
- vi) At least once a year the Committee will meet with the external auditor without management present.

1.4. Terms of Reference

1.4.1. Constitution and Authority

- i) The Committee has been established by the board of Directors of the Company ("Board") under the Company's Articles of Association and in accordance with the UK Corporate

Governance code, as revised in April 2016 (the "Code") and the FRC Guidance on Audit Committees (the "FRC Guidance") published in April 2016.

- ii) The Committee is authorised to investigate and undertake any activity within these terms of reference. It is authorised to seek any information it properly requires in order to perform its duties from any employee of the Company or any subsidiary undertaking of the Company ("Group"). All such employees are directed to co-operate with any such request made by the Committee.
- iii) If the Committee considers it necessary so to do, it is authorised to obtain appropriate external professional advice including, without limitation, legal and accounting advice to assist it in the performance of its duties, to secure the services of outsiders with relevant experience and expertise. The cost of obtaining such advice or services shall be borne by the Company.
- iv) Each member of the Committee shall disclose to the Committee:
 - (a) Any personal, financial or other interest in any matter to be decided by the Committee; or
 - (b) Any potential conflict of interest arising from a cross-directorship or otherwise; and
 - (c) Any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

1.4.2. Composition

- i) The Chairman of the Audit Committee, who shall be an independent Non-executive Director and shall not be Chairman of the Board, shall be appointed by the Board on the recommendation of the Nominations Committee. In the event of an equality of votes, the Chairman of the Audit Committee shall have a second or casting vote. In the absence of the Chairman or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- ii) If a member is unable to act for any reason, the Chairman of the Audit Committee may appoint another Non-executive Director as an additional member.
- iii) Without prejudice to 1.4.2 (ii) above, appointments to the Committee shall be for a period of up to three years, which may be extended at the discretion of the Committee, so long as members continue to be independent.
- iv) Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- v) The Committee may ask the Chairman of the Company, Chief Executive, Chief Financial Officer, Chief Operations Officer, and any relevant senior employee including from the finance function to attend meetings either regularly or by invitation, but such persons have no right of attendance.
- vi) A representative of the external auditors should normally attend all meetings of the Committee.

- vii) The Company Secretary or his or her nominee shall be 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.

1.4.3. Duties

The Committee should carry out the duties set out below in respect of the Company and Group, as appropriate.

1.4.4. Internal Control and Risk Management Systems

The Committee shall:

- i) keep under review the effectiveness of the Group's reporting and internal control policies and procedures for the identification, assessment, management, mitigation and reporting of risk management systems; and
- ii) review and approve the statement to be included in the Annual Report concerning internal controls and risk management.

1.5. Compliance, Anti-Bribery, Anti-Slavery, Whistleblowing and Fraud

- i) The Committee shall review the adequacy and security of the Group'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.
- ii) Review the Group's procedures for detecting fraud.
- iii) Review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

1.6. Internal Audit

The Committee shall annually assess the need for an internal audit function and make recommendations to the Board of Directors accordingly.

1.7. External Audit

The Committee shall:

- i) Consider and make recommendations to the Board to be put to shareholders for approval at the AGM as regards the appointment, re-appointment and removal of the Group's external auditors including that at least every 10 years, the external audit services contract be put out to tender.
- ii) 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.
- iii) Oversee the relationship with the external auditor including (but not limited to):

- (a) Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable a high quality audit to be conducted
 - (b) Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
 - (c) Agreeing with the Board a policy on the provision of non-audit services by the external auditor, then monitoring the implementation of this policy and reporting to the Board as appropriate
 - (d) Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non-audit services
 - (e) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business)
 - (f) Agreeing with the Board a policy on the employment of former employees of the Group's auditor, then monitoring the implementation of this policy
 - (g) Monitoring the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard including the guidance on the rotation of audit partners
 - (h) Monitoring the level of fees paid by the Group 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
 - (i) Assessing annually the qualifications, expertise and resources and independence of the external auditor and the effectiveness of the audit process which shall include a report from the external audit on their own internal quality procedures
 - (j) Evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee
- iv) Meet regularly with the external auditor, including once at the planning stage of 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 their remit and any issues arising from the audit.
- v) Discuss with the external auditor the factors that could affect audit quality and 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.
- vi) Review the findings of the audit with the external auditor. This shall include, but shall not be limited to, the following:
- A discussion of any major issues which arose during the audit
 - The auditor's explanation of how the risks to audit quality were addressed
 - Key accounting and audit judgements
 - The auditor's view of their interactions with senior management
 - Levels of errors identified during the audit
 - The effectiveness of the audit process

vii) The Committee shall also:

- Review any representation letters 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.
- Develop and recommend to the board the Group's formal policy on the provision of non-audit services by the external auditor, including approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved and assessment of whether non-audit. The policy should include consideration of the following matters:
 - a) threats to independence and objectivity of the external auditor and any safeguards in place
 - b) the nature of the non-audit service
 - c) whether the external audit firm is the most suitable supplier of the non-audit service
 - d) the fees for the non-audit services, both individually and in the aggregate, relative to the audit fee
 - e) the criteria governing compensation.

1.8. Financial Reporting

The Committee shall:

- i) Monitor the integrity of the financial statements of the Group, including its annual and half year reports, and any other formal announcement relating to its financial performance, reviewing and reporting to the board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The Committee shall also 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.
- ii) In particular, the Committee shall review and challenge where necessary:
 - (a) The consistency of, and any changes to, accounting policies both on a year to year basis and across the Group
 - (b) Major judgement areas including the methods used to account for significant or unusual transactions where different approaches are possible
 - (c) Whether the Group has followed appropriate accountings standards and made appropriate estimates and judgements, taking into account the views of the external auditor
 - (d) The clarity and completeness of disclosure in the Group's financial reports and the context in which the statements are made
 - (e) All material information presented within the financial statements, such as the business review and the corporate governance statements relating to the audit and risk management
 - (f) Compliance with the London Stock Exchange and legal requirements and good corporate governance practices

- (g) The going concern assumption and viability statement
- (h) Significant adjustments resulting from the audit

Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall reports its views to the Board.

1.9. Reporting Responsibilities

- i) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities including, as appropriate:
 - 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 and its recommendation on the appointment or reappointment of the external auditor
 - Any other issues on which the Board has requested the Committee's opinion
- ii) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- iii) The Committee shall compile a report to shareholders on its activities to be included in the Group's 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; and all other information requirements set out in the Code.

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 Group is a going concern and its viability statement, including why the period was considered appropriate. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

- iv) Where requested by the Board, the Audit Committee should 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.
- v) review the directors statement regarding Corporate Governance.

1.10. Other Matters

The Committee shall:

- i) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.

- ii) 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.
- iii) Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UKLA, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.
- iv) Be responsible for the co-ordination of the internal and external auditors.
- v) Oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.
- vi) 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.
- vii) 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.

1.11. Annual General Meeting

The Chairman of the Committee shall attend each annual general meeting and be available to answer shareholder's questions.

1.12. Notice of meetings

The Secretary of the Committee shall circulate a notice of any meeting of the Committee confirming the venue, time and date of the meeting and enclosing the agenda of business to be covered at the meeting not less than five working days before each meeting of the Committee, to all members of the Committee and the external auditors. Supporting papers shall be sent to members of the Committee and to other attendees as appropriate at the same time.

1.13. Minutes of Meetings

- i) The Secretary of the Committee shall minute the proceedings and resolutions of all the Committee meetings, including the names of those present and in attendance.
- ii) The Secretary shall circulate the minutes of Committee meetings to all members of the Committee and the external auditors and to the Chairman of the Board and make them available on request to other members of the Board unless in the opinion of the Committee Chairman it would be inappropriate to do so.