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NICHOLS PLC

**AUDIT COMMITTEE:
TERMS OF REFERENCE**

NICHOLS PLC
("Company")

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Definitions

In these terms of reference:

"Board" means the board of directors of the Company;

"Committee" means the audit committee of the Board; and

"Group" means the Company and its subsidiary undertakings from time to time.

1. INTRODUCTION

The primary purpose of the Committee is to assist the Board in fulfilling its oversight responsibilities. In performing its duties, the Committee will maintain effective working relationships with the Board, the Group's management and the external auditors. To perform his or her role effectively, each member of the Committee must be familiar with these terms of reference as well as the Group's business operations and risks.

2. MEMBERSHIP

- 2.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, in consultation with the chair of the Committee and on the recommendation of the Nomination Committee.
- 2.2 At least two members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accounting bodies.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, the external auditor, Chief Executive Officer and Chief Financial Officer will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or any part of any meeting as and when appropriate and necessary.
- 2.4 The Board shall appoint the chair of the Committee. In the absence of the chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of their numbers to chair the meeting.
- 2.5 Subject to the terms of the relationship agreement made between the Company and the Nichols family (consisting of certain members of the immediate and extended family of the Company's founder John Noel Nichols) on 22 July 2020, appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.

3. SECRETARY

The Company secretary or his/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.

4. QUORUM

The quorum necessary for the transaction of business shall be two Committee members.

5. FREQUENCY OF MEETINGS

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

5.2 Outside of the formal meeting programme, the chair of the Committee will maintain a dialogue with key individuals involved in, but not restricted to, the Company's governance, including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and the external audit lead partner.

6. NOTICE OF MEETINGS

6.1 Meetings of the Committee shall be called by the Company Secretary at the request of any of the Committee members, or at the request of the external auditor if they consider it necessary.

6.2 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 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.

7. MINUTES OF MEETINGS

7.1 The Company Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance, unless a conflict of interest exists.

7.2 Following each Committee meeting, actions arising and 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 a conflict of interest exists or, in the opinion of the chairman of the Committee, it would otherwise be inappropriate to do so.

8. AGM

The chair of the Committee shall attend the annual general meeting ("AGM") to answer shareholder questions on the Committee's activities.

9. DUTIES

The Committee shall have oversight of the Group as a whole, and shall carry out the duties below.

9.1 Financial reporting

- 9.1.1 The Committee shall monitor the integrity of the financial statements of the Group, including its annual and half-yearly reports and accounts, announcements of preliminary results 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.
- 9.1.2 In particular, the Committee shall review and challenge where necessary:
- 9.1.2.1 the consistency of, and any changes to, significant accounting policies, both on a year-on-year basis and across the Group;
 - 9.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 9.1.2.3 whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
 - 9.1.2.4 the clarity and completeness of disclosure in the Group's financial reports and the context in which statements are made;
 - 9.1.2.5 the Going Concern assumption;
 - 9.1.2.6 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.
- 9.1.3 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 would be practicable and consistent with any requirements under the AIM Rules for Companies and any other applicable rules and/or regulations, as appropriate.
- 9.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, the Committee shall report the Committee's views to the Board.

9.2 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 Group's performance, business model and strategy.

9.3 Internal controls and risk management systems

The Committee shall:

- 9.3.1 keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;

- 9.3.2 review and approve any statements to be included in the Group's annual report concerning internal controls and risk management including the assessment of principal risks, and emerging risks, unless this is undertaken by the Board;
- 9.3.3 review the adequacy and effectiveness of the Company's anti-money laundering systems and keep under review the adequacy and effectiveness of the Company's compliance function; and
- 9.3.4 advise the Board on the Company's overall risk appetite, tolerance and strategy.

9.4 Whistleblowing

The Committee shall:

- 9.4.1 review the adequacy and security of the Group's arrangements for its directors, officers, employees, contractors and other external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including the Company's whistleblowing Policy. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- 9.4.2 review the Group's procedures for detecting fraud; and
- 9.4.3 review the Group's systems and controls for the prevention of bribery and corruption and receive reports on non-compliance.

9.5 Internal audit

The Committee shall consider annually whether there should be an internal audit function and make recommendations to the Board accordingly.

9.6 External audit

The Committee shall:

- 9.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the Company's external auditor;
- 9.6.2 ensure that 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, and in respect of such tender to develop and oversee the selection process in accordance with regulatory requirements and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 9.6.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.6.4 oversee the relationship with the external auditor, including (but not limited to):

- 9.6.4.1 recommendations on their remuneration, including both fees for audit or non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
- 9.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 9.6.4.3 assessing annually their independence and objectivity taking into account relevant laws, professional and regulatory requirements and the relationship with the external auditor as a whole, including any threats to the auditor's independence, and safeguards to mitigate those threats including the provision of any non-audit services;
- 9.6.4.4 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 auditor's independence and objectivity;
- 9.6.4.5 agreeing with the Board a policy on the employment of former employees of the external auditor, and monitoring the implementation of this policy;
- 9.6.4.6 monitor the auditor's processes for maintaining independence, its compliance with relevant laws, professional and regulatory requirements, including the guidance on the rotation of audit partner and staff;
- 9.6.4.7 assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 9.6.4.8 seek to ensure co-ordination of the external audit with the activities of any internal audit function;
- 9.6.5 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;
- 9.6.6 evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee;
- 9.6.7 discuss with the external auditor the factors that could affect audit quality, 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; and
- 9.6.8 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 9.6.8.1 a discussion of any major issues which arose during the audit;
 - 9.6.8.2 the auditor's explanation of how the risks to audit quality were addressed (if any);

- 9.6.8.3 key accounting and audit judgements;
- 9.6.8.4 the auditor's view of their interactions with senior management;
- 9.6.8.5 levels of errors identified during the audit; and
- 9.6.8.6 the effectiveness of the audit process.

The Committee shall also:

- 9.6.9 review any representation letter(s) requested by the external auditor before they are signed by management;
- 9.6.10 review the management letter and management's response to the external auditor's findings and recommendations; and
- 9.6.11 develop and implement a policy on the supply 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 service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter and thorough consideration of all appropriate matters.

10. REPORTING RESPONSIBILITIES

- 10.1 The chair of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
 - 10.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.1) and how these were addressed;
 - 10.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 9.6.), 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
 - 10.1.3 any other issues on which the Board has requested the Committee's opinion on.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall compile a report on its activities to be included in the Group's annual report. In compiling the report, the Committee should exercise judgement in deciding which 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. Cross-references can be provided where such information has been disclosed elsewhere in the Annual Report and Accounts.

11. OTHER MATTERS

- 11.1 The Committee shall:

- 11.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 11.1.2 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;
- 11.1.3 give due consideration to all relevant laws and regulations, the provisions of the Quoted Companies Alliance Corporate Governance Code, the provisions of the AIM Rules for Companies, and any other applicable rules, as appropriate;
- 11.1.4 oversee any investigation of activities which are within its terms of reference;
- 11.1.5 work and liaise as necessary with all other Board committees;
- 11.1.6 arrange for periodic reviews of its own performance and, at least annually, review the Committee's 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
- 11.1.7 ensure that these terms of reference are made available by placing them on the Group's website.

12. AUTHORITY

The Committee is authorised to:

- 12.1 seek any information it requires from any employee of the Group in order to perform its duties;
- 12.2 obtain, at the Group's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so; and/or
- 12.3 call any director, officer or employee to be questioned at a meeting of the Committee as and when required.