

## **NWF Group Plc**

### **Audit Committee Terms of Reference**

N.B. Reference to “the Committee” shall mean the Audit Committee. Reference to “the Board” shall mean the Board of Directors of NWF Group Plc. Reference to “the Company” shall mean NWF Group Plc and its subsidiary companies.

#### **1. Membership**

- Members of the Committee shall be appointed by the Board, in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three members.
- The Board shall appoint the Committee Chairman. In the Committee Chairman’s absence, the remaining members present shall elect one of themselves to chair the meeting.
- All members of the Committee shall be 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 accountancy bodies. The Company Chairman may be a member of, but not chair, the Committee.
- Only members of the Committee have the right to attend Committee meetings. However, the external auditor and Finance Director will be invited 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.
- Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods.

#### **2. Secretary**

- The Company Secretary or their nominee shall act as the Secretary to 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 either in person or by telephone. 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**

- The Committee shall meet usually in January and July and otherwise as required.
- 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 and the external audit lead partner.

#### **5. Notice of Meetings**

- Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the external audit lead partner.

- Unless agreed by all members of the Committee, notice of the meeting confirming the venue, date and time along with supporting papers and an agenda, will be provided to all members of the Committee, all other non-executive directors and any other person required to attend no later than five working days prior to the meeting date.
- Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

#### 6. 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 attending, the discussions ensuing and the decisions/conclusions reached, demonstrating that the Committee is meeting its obligations.
- The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- Draft minutes of the Committee shall be circulated promptly to all members of the Committee and, once approved, to all members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chairman.

#### 7. Annual General Meeting (AGM)

- The Chairman of the Committee shall attend the AGM and at the invitation of the Chairman of the meeting be prepared to respond to any shareholder questions on the Committee's activities.

#### 8. Duties

The Committee shall carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

##### 8.1 Financial Reporting

- The Committee shall monitor the integrity of the financial statements of the Company, including annual and interim reports, preliminary results' announcements and other formal announcements relating to 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.
- In particular, the Committee shall review and challenge where necessary:
  - the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/group;
  - 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 completeness of disclosure in the Company's financial reports and the context in which statements are made; and

- all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.
- 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.
- 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 prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

#### **8.2 Narrative Reporting**

Where requested by the Board, 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 necessary for shareholders to assess the Company's performance, business model and strategy.

#### **8.3 Internal Controls and Risk Management Systems**

The Committee shall:

- keep under review the adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems; and
- review and approve the statements to be included in the annual report concerning internal controls and risk management.

#### **8.4 Compliance, Whistleblowing and Fraud**

The Committee shall:

- review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoings 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;
- review the Company's procedures for detecting fraud; and
- review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

#### **8.5 External Audit**

The Committee shall:

- 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 auditors. The Committee shall oversee the selection process for

- a new auditor. If the auditor resigns, the Committee shall investigate the issues which led to this and determine whether any action is required;
- develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
  - if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
  - oversee the relationship with the external auditor, including (but not limited to):
    - recommendations on 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;
    - 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 assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
    - assessing annually their independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the relationship with the auditor as a whole, including the provision of non-audit services;
    - assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
    - evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
  - meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage). The Committee should meet the external auditors at least once a year without management being present, to discuss the auditor's remit and any issues arising from the audit;
  - 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
  - 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;
- key accounting and audit judgements;
- the auditor's explanation of how the risks to the audit quality were addressed;
- the auditor's view of their interactions with senior management;
- levels of errors identified during the audit; and
- the effectiveness of the audit process.

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; and
- develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

### **8.6 Reporting Responsibilities**

The Committee Chairman 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 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.

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 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.

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.

### **8.7 Other Matters**

The Committee shall:

- have access to sufficient resources in order to carry out its duties effectively, including access to the company secretariat for 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;
- be responsible for coordination of the external auditor;
- oversee any investigation of activities which are within its terms of reference;
- work and liaise as necessary with all other Board Committees;
- give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate; and
- arrange for periodic reviews of its own performance and, at least once a year, 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.

### **8.7 Authority**

The Committee is authorised to:

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