

HUNTSWORTH PLC ("the Company")
Terms of Reference - Audit Committee

1. Membership

- 1.1. Members of the Audit Committee ("the Committee") shall be appointed by the board of directors of the Company ("the Board"), on the recommendation of the Nomination Committee in consultation with the chairman of the Audit Committee ("the Committee Chairman"). The Committee shall comprise at least two members. All of them shall be non-executive directors of the Company.
- 1.2. At least two of these members, and a majority of them, shall be "independent" for the purposes of The UK Corporate Governance Code 2014 ("the Code"). The Company Chairman may be a member of, but not chair, the Committee in addition to the independent non-executive directors, provided he or she was considered independent on appointment as Company Chairman. At least one member of the Committee shall have recent and relevant financial experience.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend all or part of any meeting as and when appropriate in the opinion of the Committee Chairman or the majority of its members.
- 1.4. The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.5. Appointments to the Committee shall be for a period of up to three years (subject to the election and re-election provisions in the Company's constitution and in the Code), which may be extended for further periods of up to three years each, provided the director concerned still meets the criteria for membership of the Committee.
- 1.6. The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.7. In the event that it is impractical to convene a meeting of the Committee to deal with an urgent matter the Committee Chairman will be entitled in his discretion to exercise all the powers of the Committee in relation to such matters provided he has consulted with at least one member of the Committee on any material items.

2. Secretary

- 2.1 . The Company Secretary, his or her nominee, or any other person selected for the task by the Committee, shall act as the Secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business 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.

4. Frequency of Meetings

- 4.1. The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2. 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, the external audit lead partner and the Head of Internal Audit.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2. 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.

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, other than where it would be inappropriate to do so in the opinion of the Committee Chairman.

7. Annual General Meeting

- 7.1. The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

8. Duties

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

8.1. Financial Reporting

- 8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance. This shall include, reviewing and reporting to the Board, having regard to matters communicated to it by the auditor, on;
 - 8.1.1.1. significant financial reporting issues and judgements which they contain,
 - 8.1.1.2. the appropriateness or otherwise of adopting the going concern basis of accounting in preparing the annual and half-yearly financial statements; and any material uncertainties to the Company's ability to continue to

adopt the going concern basis of accounting over a period of at least twelve months from the date of approval of the financial statements; and

8.1.1.3. the explanation required in the Company's Annual Report and Accounts ('Annual Report'), how the prospects of the Company have been assessed, taking account of the Company's current position and principal risks and its ability to continue in operation and meet its liabilities as they fall due over the period of the assessment and drawing attention to any qualifications or assumptions as necessary.

8.1.2. The Committee shall review and challenge where necessary:

8.1.2.1. the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and its group;

8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3. whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.2.4. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

8.1.2.5. all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).

8.1.3. 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.

8.1.4. The Committee shall, where requested by the Board, review the content of the Company's Annual Report 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 position and performance, business model and strategy.

8.2. Internal Controls and Risk Management Systems

The Committee shall:

8.2.1. monitor and keep under review the scope, adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems, and at least annually, carry out a review of their effectiveness. The monitoring and review shall cover all material controls, including financial, operational and compliance controls;

8.2.2. review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

8.2.3. at least annually, carry out a robust assessment of the principal risks facing the Company, including those that would threaten the Company's business model, future performance, solvency or liquidity. The assessments shall include how

such risks are being managed and mitigated. The outcome of the assessment to be reported to the Board;

8.3. Compliance, Whistleblowing, Bribery, Fraud and Ethics

The Committee shall:

- 8.3.2. 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;
- 8.3.3. ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.3.4. oversee the Company's policies, systems and procedures to prevent persons associated with the Company from engaging in bribery. Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.3.5. oversee the Company's policies and procedures for the identification, assessment, management and reporting of fraud;
- 8.3.6. oversee the Company's policies and procedures for the identification, assessment, management and reporting of ethical risk; and
- 8.3.7. advise the Board on steps to be taken to maintain a culture of integrity and honesty in all of the Company's business dealings.

8.4. Internal Audit

The Committee shall:

- 8.4.1. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- 8.4.2. approve the appointment and removal of the head of the internal audit function (and/or representative from any external firm used as an outsourced internal audit function, as appropriate);
- 8.4.3. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 8.4.4. review and assess the annual internal audit plan;
- 8.4.5. review reports on the company from the internal auditor on a periodic basis;
- 8.4.6. review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 8.4.7. meet the Head of Internal Audit / representative from any external firm used as an outsourced internal audit function at least once a year, without management being

present, to discuss their remit and any issues arising from the internal audits carried out; and

- 8.4.8. the Head of Internal Audit shall report into the Chair of the Committee, be accountable to the Committee and be given the right of direct access to the Chairman of the Board.

8.5. External Audit

The Committee shall:

- 8.5.1. 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. The Committee shall oversee the selection process for a new auditor and ensure that all tendering firms have such access as is necessary to information and individuals for the duration of the tendering process. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.5.2. oversee the relationship with the external auditor including (but not limited to):
 - 8.5.2.1. recommendations on their remuneration, whether 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;
 - 8.5.2.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.5.2.3. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 8.5.2.4. 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;
 - 8.5.2.5. agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - 8.5.2.6. 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;
 - 8.5.2.7. assessing annually the qualifications, expertise and resources of the auditor and evaluating the risks to the quality and effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - 8.5.2.8. seeking to ensure co-ordination with the activities of the internal audit function; and

- 8.5.2.9. considering the risk of the withdrawal of the Company's present auditor from the market;
- 8.5.3. 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 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;
- 8.5.4. 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;
- 8.5.5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
 - 8.5.5.1. a discussion of any major issues which arose during the audit;
 - 8.5.5.2. key accounting and audit judgements;
 - 8.5.5.3. levels of errors identified during the audit; and
 - 8.5.5.4. the effectiveness of the audit.
- 8.5.6. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.7. review the management letter and management's response to the auditor's findings and recommendations; and
- 8.5.8. 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.

9. Reporting Responsibilities

- 9.1. 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:

- 9.1.1. the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;
- 9.1.2. its assessment of the effectiveness of the external audit process (required under paragraph 8.5.2.7) and its recommendation on the appointment or reappointment of the external auditor; and
- 9.1.3. 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 produce a report to be included in the Annual Report, describing the Committee's work and how it has discharged its responsibilities. Such report shall include:
 - 9.3.1. a summary of the role of the Committee;
 - 9.3.2. the names and qualifications of all Committee members during the period;
 - 9.3.3. the number of Committee meetings;
 - 9.3.4. the significant issues that the Committee has considered in relation to the financial statements and how those issues were addressed, having regard to matters communicated to it by the external auditor;
 - 9.3.5. an explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm, when a tender was last conducted, and any contractual obligations that have acted to restrict the Committee's choice of external auditor;
 - 9.3.6. if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded; and
 - 9.3.7. any other issues on which the Board has requested the Committee's opinion.

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 on-going basis for all members;
- 10.3. give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate;
- 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; and
- 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 for approval.

11. Authority

The Committee is authorised:

- 11.1. to seek any information it requires from any employee of the Company in order to perform its duties;
- 11.2. to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3. to call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.4. to have the right to publish in the Annual Report details of any issues that cannot be resolved between the Committee and the Board.

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