



CERES POWER HOLDINGS PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

1. MEMBERSHIP

- 1.1 The Committee will comprise at least three Non-Executive Directors of the Company, who shall be independent of management and free of any relationship which could interfere with the exercise of their independent judgment. At least one member of the Committee should have recent and relevant financial experience and the Committee shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 1.2 The members of the Committee shall be appointed from time to time by a resolution of the Board, on the recommendation of the Nomination and Governance Committee and in consultation with the Chair of the Committee. Members shall be appointed for an initial term of up to three years which may be extended for up to two additional three-year periods, provided the members continue to be independent.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, the Chairman of the Board, Chief Executive Officer, Chief Finance Officer, head of internal audit (if applicable) and external audit lead partners will be invited to attend meetings of the Committee on regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 1.4 The Board shall appoint the Chair of the committee. In the absence of the Chair of the Committee and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2. SECRETARY

- 2.1 The Company Secretary or their nominee shall be 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 all issues.

3. QUORUM

- 3.1 A quorum shall be two Committee members.

4. MEETINGS

- 4.1 There shall be no fewer than three meetings a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

5. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be called at the request of the Committee Chair or any of its members. Unless otherwise agreed, papers shall be circulated at least five working days in advance of each meeting, including an agenda confirming the venue, time, and date together with the matters to be discussed at the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

6. MINUTES OF MEETINGS

- 6.1 The Secretary shall minute the proceedings. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

7. ENGAGEMENT WITH SHAREHOLDERS

- 7.1 The Chair will be available in person at the Annual General Meeting of the Company to answer shareholders' questions about the activities of the Committee. In addition, the Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

8. ROLE

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.

8.1 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, preliminary announcement and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgments which those statements contain having regard to matters communicated to it by the auditor.
- 8.1.2 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, prospectus rules and disclosure guidance and transparency rules sourcebook.
- 8.1.3 The Committee shall review and seek assurance in relation to the integrity of data included in Taskforce on Climate – Related Financial Disclosures.
- 8.1.4 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.

8.2 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 Company's performance, business model and strategy and whether it informs the Board statement in the annual report on these matters that is required under the code.

8.3 Internal controls and risk management systems

- 8.3.1 The Committee shall
- keep under review the Company's system of internal control (including financial, operational, compliance and risk management)
 - review the processes and procedures for ensuring that material business risks are properly identified and managed and that appropriate systems of monitoring and control are in place.

Technical, operational, business continuity and health and safety related risks are reviewed by the non-board Technical and Operational Risks Committee comprising executives of the Company and such committee's reports will be communicated to the Board and the Audit Committee for review and challenge

- review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement
- consider the annual review of risk to ensure adequate oversight of risks faced by the Company (including credit, insurance & investment, intellectual property, liquidity and compliance risks) significant regulatory risks and the system of internal controls and reporting of those risks within the businesses. Receive reports on material issues arising and consider the adequacy of management's plans
- review the arrangements for oversight of joint ventures and controlling stakes in subsidiaries and monitor, on an annual basis, the policy for such arrangements

8.4 Compliance, speaking-up and fraud

8.4.1 The Committee shall

- review the adequacy and security of the Company's arrangements for its employees, contractors, and external parties 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
- review the Company's procedure for detecting fraud and preventing bribery.
- consider material breaches of agreed risk/authority limits whether caused by control weakness or breakdown, dishonesty, fraud, or negligence and seek to ensure the management action in response is commensurate to the breach reported
- consider the executive reports covering material non-compliance with legal, regulatory, and statutory requirements and the requirements of any body by which the Company is regulated

8.5 Internal Audit

8.5.1 In relation to the Company's internal audit function, the Committee shall:

- approve the appointment or termination of appointment of the head of internal audit; or the outsourced internal audit provider (whichever is applicable)
- 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
- review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out
- ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors
- ensure the internal auditor has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee
- carry out an annual assessment of the effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance, and the external auditor

- consider whether an independent, third party review of processes is appropriate.

8.6 External Audit

8.6.1 The Committee shall

- consider and recommend to the Board, for annual shareholder approval, the appointment, reappointment and removal of the external auditor, and to lead the process of putting the external audit contract out to tender in accordance with Financial Reporting Council guidance, 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
- assess annually the qualification, expertise and resources, effectiveness, independence and objectivity of the external auditor and the effectiveness of the audit process, and to review the quality control procedures and steps taken by the external auditor to respond to changes in regulatory and other requirements
- approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided
- determine the policy on provision of non-audit services by the external auditor, to review the nature and extent of non-audit work performed and to confirm annually compliance with the policy
- satisfy itself that the level of fee payable in respect of the audit services provided is appropriate and that an effective audit can be conducted for that fee
- review with the CFO and the external auditor the scope and results of the external audit and any significant findings reported in their management letter and to review updates from management on remedial actions taken.
- review any representation letters requested by the external auditor before they are signed by management
- 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, meet with the external auditor without management being present, to discuss the auditors remit and any issues arising from the audit
- 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 the risks to audit quality were assessed
 - the key accounting and audit judgments
 - the auditor's view of their interactions with senior management
 - levels of errors identified during the audit
- review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgments by the auditor, and the auditor's response to questions from the committee

9. REPORTING RESPONSIBILITIES

- 9.1 The Chair of the Committee 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. The report shall include

- the significant issues that it had considered in relation to the financial statements and how these were addressed;
- its assessment of the effectiveness of the external audit process (required under paragraph 8.6.1), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was less conducted and advanced notice of any re tendering 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 describe the work of the Audit Committee, including

- the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed
- an explanation of how the Committee 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 less conducted and advance notice of any retendering plans
- an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.

10. OTHER MATTERS

10.1 The Committee shall:

- Have access to sufficient resources to carry out its duties, including access to the company secretariat for advice and assistance as required.
- Be provided with appropriate and timely training.
- Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirement of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- Be responsible for oversight of the coordination of the internal and external auditors.
- Oversee any investigation of activities which are within its terms of reference.
- Work and liaise as necessary with all other Board committees and showing interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- Ensure that periodic evaluation of the Committee's performance is carried out.
- At least annually, review its constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.

11. AUTHORITY

11.1 The Committee is authorised to:

- Seek any information it requires from any employee of the Company to perform its duties.

- Obtain, at the Company's expense, independent legal, accounting, or other professional advice on any matter if it believes it necessary to do so.
- 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. If the Board has not accepted the Committee's recommendations on the external auditor appointment, reappointment or remove or, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

Approved by the Ceres Power Holdings plc Board on 8 February 2024