Smiths News plc

TERMS OF REFERENCE - AUDIT COMMITTEE

1 COMPOSITION

1.1 The Audit Committee shall be a Committee of the Board, with its members appointed by the Board on the recommendation of the Nominations Committee in consultation with the chair of the Audit Committee. Appointments shall be for a period of up to nine years, subject to both annual re-election at each Annual General Meeting and the relevant member continuing to meet the independence criteria for membership of the Board.

1.2 The Committee shall comprise at least two independent non-executive directors (or, where the Company is not designated as a "smaller company" for the purposes of the FRC's UK Corporate Governance Code, three independent non-executive directors), at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. The Chairman of the Board shall not be a member of the Committee.

1.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Executive Officer, Chief Financial Officer and external audit lead partner 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.

1.4 The Board shall appoint the Committee chair. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

2 SECRETARY

The company Secretary, or his or 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.

3 MEETINGS

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

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

3.3 Outside of the formal meeting programme, the Committee chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the Company Secretary and General Counsel and the external audit lead partner.

3.4 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

3.5 Unless otherwise agreed by the Committee, 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 and to each other person invited to attend (in electronic form with the recipients' consent) in a timely manner to enable full and proper consideration to

be given to issues. Supporting papers shall be sent to Committee members and other attendees, as appropriate, at the same time.

3.6 At the discretion of the Committee chair, a member of the Committee may participate in a Committee meeting electronically.

3.7 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

3.8 Draft minutes of Committee meetings shall be agreed with the Committee chair and then circulated promptly to all members of the Committee as well as to all other members of the Board and the Company Secretary, unless it would be inappropriate to do so in the opinion of the Committee chair.

4 ANNUAL GENERAL MEETING

The Committee chair should attend the Annual General Meeting to answer shareholder questions on the Committee's activities and where required, engage with shareholders on significant matters related to the Committee's areas of responsibility.

5 DUTIES

The Committee should have oversight of the business as a whole and, unless required otherwise by regulation, carry out the duties below for the business as a whole.

5.1 Financial reporting

5.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, trading statements, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

5.1.2 In particular, the Committee shall review and challenge where necessary:

a. the application of significant accounting policies and any changes to them;

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

c. whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;

d. the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and

e. 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.

5.1.3 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 prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

5.1.4 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.

5.2 **Narrative reporting**

Where requested by the Board, the Committee should review the content of the annual report (including monitoring both ESG narrative reporting and sustainability matters) 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's statement in the annual report on these matters that is required under the Code.

5.3 **Internal controls and risk management systems**

The Committee shall:

5.3.1 monitor and review the adequacy and effectiveness of the business's risk management and internal control framework that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;

5.3.2 consider major finding of internal investigations and management response;

5.3.3 review and approve the statements to be included in the annual report concerning internal control, risk management and the business's going concern and viability statements; and

5.3.4 review the business's assurance and risk management framework and provide oversight and input into the business's risk strategy, risk appetite and risk management and mitigations.

5.4 **Compliance, whistleblowing and fraud**

The Committee shall:

5.4.1 review the adequacy and security of the Company's arrangements for its employees, customers, contractors and other 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;

5.4.2 review the business's procedures for detecting fraud; and

5.4.3 review the business's systems and controls for the prevention of bribery and receive reports on non-compliance.

5.5 **Internal audit**

The Committee shall:

5.5.1 approve the appointment or termination of appointment of the head of internal audit;

5.5.2 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;

5.5.3 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;

5.5.4 ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;

5.5.5 ensure the internal auditor has direct access to the Chairman of the Board and to the Committee chair, providing independence from the executive and accountability to the Committee;

5.5.6 carry out an annual assessment of the effectiveness of the internal audit function; and as part of this assessment:

a. meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;

b. review and assess the annual internal audit work plan;

c. receive a report on the results of the internal auditor's work;

d. determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and

e. review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;

5.5.7 monitor and assess the role and effectiveness of the internal audit function in the overall context of the business's risk management system and the work of compliance, finance and the external auditor; and

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

5.6 **External audit**

The Committee shall promote and adhere to the Audit Committees' and External Audit: Minimum Standards as set out from time to time (the "**Minimum Standard**"), including but not limited to:

5.6.1 periodically as set out in the Minimum Standard, to conduct a tender process for the appointment of the Company's external auditors and, at other times, to consider and make recommendations to the Board (to be put to shareholders for approval at the annual general meeting) in relation to the re-appointment and removal of the Company's external auditor;

5.6.2 develop and oversee the selection procedure for the appointment of the external audit firm, in accordance with applicable Code and regulatory requirements, ensuring that the Company has a fair choice of suitable external auditors at the next tender and in light of the need for greater market diversity;

5.6.3 if an external auditor resigns, investigate any issues leading to this and decide appropriate action that may be required;

5.6.4 oversee the relationship with the external auditor. In this context the Committee shall:

a. monitor and approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;

b. ensure there is regular open communication between the Committee and the external auditor, as well as with management; and

c. approve their terms of engagement (including any reference to an annual external audit plan and commitments made), including any engagement letter issued at the start of each audit and the scope of the audit, ensuring that the external auditor has full access to Company staff and records;

5.6.5 monitor and assess annually the external auditor's independence and objectivity, taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the business's relationship with the auditor as a whole, including the provision of non-audit services and any threats to the auditor's independence and the safeguards applied to mitigate those threats;

5.6.6 satisfy itself that there are no relationships between the external auditor and the business (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

5.6.7 agree with the Board a policy on the employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;

5.6.8 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process (taking into consideration relevant UK professional and regulatory requirements and including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee and whether the volume and type of resource (in terms of seniority and where relevant specialism) has been deployed), which shall include a report from the external auditor on their own internal quality procedures;

5.6.9 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;

5.6.10 develop, approve and implement the Company's formal policy on the provision of non-audit services by the external auditor, and report to the Board on any improvement or action required, including specifying the types of non-audit service to be pre-approved and assessment of whether non-audit services have a direct or

material effect on the audited financial statements. The policy should include consideration of the following matters:

a. threats to the independence and objectivity of the external auditor and any safeguards in place (taking into account the relevant legal, professional and regulatory requirements, guidance and the Ethical Standard);

b. the nature of the non-audit services;

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 aggregate, relative to the audit fee; and

e. the criteria governing compensation;

5.6.11 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 auditor's remit and any issues arising from the audit;

5.6.12 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

5.6.13 assess the effectiveness of the external audit process, taking into account the external auditor's mind-set and culture; skills, character and knowledge; quality control; and judgment, including the robustness and perceptiveness of the auditors in handling key judgements, responding to questions from the Committee. In the course of its assessment of effectiveness, the Committee shall:

a. ask the auditor to explain the risks to audit quality that they identified and how these have been addressed;

b. discuss with the auditor the key audit firm and network level controls the auditor relied on to address the identified risks to audit quality and enquire about the findings from internal and external inspections of their audit and their audit firm;

c. review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks; and

d. obtain feedback about the conduct of the audit from key people involved, including consideration of the external auditor's reliance on internal audit;

5.6.14 review the findings of the external audit and invite challenge by the external auditor, giving due consideration to points raised and making changes to financial statements in response, where appropriate. This shall include but not be limited to, the following:

a. a discussion of any major issues which arose during the audit;

b. the auditor's explanation of how the risks to audit quality were addressed;

c. key accounting and audit judgements;

d. the auditor's view of their interactions with senior management; and

e. levels of errors identified during the audit

5.6.15 review any representation letter(s) requested by the external auditor before they are signed by management;

5.6.16 review the management letter and management's response to the auditor's findings and recommendations; and

5.6.17 engage with shareholders on the scope of the external audit, where appropriate.

6 REPORTING

6.1 The Committee chair 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:

6.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 5.1.1) and how these were addressed;

6.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 5.6.13), 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

6.1.3 any other issues on which the Board has requested the Committee's opinion.

6.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is desirable or necessary.

6.3 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 Committee, including:

6.3.1 an explanation of how the Committee has addressed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information of the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;

6.3.2 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;

6.3.3 an explanation of the application of the Company's accounting policies;

6.3.4 where shareholders have requested that certain matters be covered in an audit and that request has been rejected, an explanation of the reasons why;

6.3.5 where a regulatory inspection of the quality of the Company's audit has taken place, information about the findings of that review, together with any remedial action the external auditor is taking in the light of these findings;

6.3.6 in the case of the Board not accepting the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and that of the Board, and the reasons why the Board has taken its different position;

6.3.7 an explanation of how audit independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor;

6.3.8 if a tender process has taken place within the year, an explanation of the criteria used to make the selection and the process followed; and

6.3.8 all other information requirements set out in the Code.

6.4 In compiling the reports referred to in paragraphs 6.1 and 6.3, 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.

7 OTHER MATTERS

The Committee shall:

7.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and General Counsel for assistance as required;

7.2 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;

7.3 give due consideration to relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;

7.4 be responsible for oversight of the coordination of the internal and external auditors;

7.5 oversee any investigation of activities which are within its terms of reference;

7.6 work and liaise as necessary with all other Board Committees, ensuring interaction between Committees and the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different Committees; and

7.7 arrange for periodic evaluation 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.

8 AUTHORITY

The Committee is authorised to:

8.1 seek any information it requires from any employee of the company in order to perform its duties;

8.2 obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

8.3 call any employee to be questioned at a meeting of the Committee as and when required; and

8.4 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 and/or executive management. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

Version	Author	Purpose/Change	Date
3-0	Adele Duff - Deputy Co Sec	Annual Review – approved by the Board	08.08.19
4-0	Karen Mills – Deputy Co Sec	Annual Review – approved by the Board	23.09.20
5-0	Karen Mills – Deputy Co Sec	Annual Review – approved by the Board	21.07.21
6-0	Karen Mills – Deputy Co Sec	Annual Review – approved by the Board	18.07.22
7-0	Karen Mills – Deputy Co Sec	Annual Review – approved by the Board	18.07.23
8-0	Karen Mills – Deputy Co Sec	Annual Review – approved by the Board	24.07.24
9-0	Karen Mills – Deputy Co Sec	Annual Review – approved by the Board	22.07.25
10-0	Karen Mills – Deputy Co Sec	Annual Review – approved by the Board	21.07.26