

JOHNSON SERVICE GROUP PLC

AUDIT COMMITTEE TERMS OF REFERENCE

THESE AUDIT COMMITTEE TERMS OF REFERENCE WERE APPROVED AND ADOPTED BY THE BOARD ON 22ND NOVEMBER 2022

Interpretation

In these terms of reference:

“Board” means the board of directors of the Company;

“Company” means Johnson Service Group PLC;

“Committee” means the audit committee of the Board;

“Group” means the group of companies of which the Company is the ultimate parent undertaking.

1. Authority

The Board authorises the Committee to:

1.1 Seek any information it requires from:

- any employee of the Group (and all employees are directed to co-operate with any request made by the Committee)
- external bodies.

1.2 Obtain, at the Company’s expense, independent external professional advice on any matter if it believes appropriate.

1.3 Request the attendance of officers of the Group, as appropriate.

1.4 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 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.

2. Organisation

2.1 Membership

2.1.1 The Committee shall comprise a minimum of two independent non-executive directors. The Chair of the Board shall not be a member. The Board should satisfy itself that at least one member has recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Committee will be nominated and appointed by the Board from time to time. In the absence of the Committee Chair and / or an appointed deputy at a Committee meeting, the remaining members present shall elect one of their number as Chairman for that meeting. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. 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.

2.1.2 The secretary of the Committee will be the Company Secretary (or their nominee), or such other person as nominated by the Board. The secretary of the Committee will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

2.1.3 Only members of the Committee have the right to attend Committee meetings. However, the Chair of the Board, Chief Executive, Chief Financial Officer, Head of Internal Audit (or the individual responsible for the day-to-day performance of the Company’s internal audit function) and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

2.2 Quorum

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 or exercisable by the Committee.

2.3 Meetings

2.3.1 Meetings shall be held not less than three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Special meetings may be convened as required.

2.3.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive, the Chief Financial Officer, the external audit lead partner and the Head of Internal Audit (or the individual responsible for the day-to-day performance of the Company's internal audit function). The Head of Internal Audit (or the individual responsible for the day to day performance of the Company's internal audit function) and the external audit lead Partner may request a meeting with the Audit Committee at any time.

2.4 Notice of Meetings

2.4.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee Chair or any of its members, or at the request of the external audit lead partner or Head of Internal Audit (or the individual responsible for the day-to-day performance of the Company's internal audit function) if they consider it necessary.

2.4.2 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 and any other person required to attend in the week prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.

2.5 Minutes of meetings

2.5.1 The proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, shall be minuted by the secretary.

2.5.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes, agenda and supporting papers, will be made available to the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

2.6 Engagement with shareholders

The Committee Chair should attend the annual general meeting of the Company to answer any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

3. Roles and Responsibilities

The Committee will undertake, on behalf of the Board, responsibility for the oversight of financial reporting, internal control, and compliance with laws and regulations. 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.

The Committee, therefore, will undertake the following:

3.1 Financial reporting

3.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, 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.

3.1.2 In particular, the committee shall review and challenge where necessary:

- 3.1.2.1 the application of significant accounting policies and any changes to them;
- 3.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 3.1.2.3 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;
- 3.1.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made;
- 3.1.2.5 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.
- 3.1.3 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.

3.2 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's statement in the annual report on these matters that is required under the Code.

3.3 Internal controls and risk management systems

The Committee shall:

- 3.3.1 keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 3.3.2 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.

3.4 Compliance, speaking-up and fraud

The Committee shall:

- 3.4.1 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;
- 3.4.2 review the Company's procedures for detecting fraud;
- 3.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

3.5 Internal audit

The Committee shall:

- 3.5.1 consider annually whether there is a need for an internal audit and risk function and make a recommendation to the Board accordingly. In the event that an internal audit and risk function is introduced, the Board shall extend as appropriate the Committee's terms of reference to include, inter alia, monitoring and reviewing the effectiveness of the internal audit and risk function, senior appointments and removals in respect of that function, resourcing of that function, meetings with the internal auditors and reviewing executive management's responsiveness to findings and recommendations of the internal audit and risk function;

- 3.5.2 review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, ensuring it is appropriate for the current needs of the organisation;
- 3.5.3 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;
- 3.5.4 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;
- 3.5.5 meet the internal auditor at least once a year, without executive management being present, to discuss the remit of the internal audit and risk function and any issues arising from the internal audits carried out. In addition, the internal auditor shall have direct access to the Board chair and to the Committee chair;
- 3.5.6 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment;
- 3.5.7 meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
- 3.5.8 review and assess the annual internal audit work plan;
- 3.5.9 receive a report on the results of the internal auditor's work;
- 3.5.10 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
- 3.5.11 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- 3.5.12 monitor and assess the role and 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;
- 3.5.13 consider whether an independent, third party review of processes is appropriate.

3.6 External Audit

The Committee shall:

- 3.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 3.6.2 develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 3.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 3.6.4 oversee the relationship with the external auditor. In this context the Committee shall:
 - 3.6.4.1 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;

- 3.6.4.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 3.6.4.3 assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 3.6.4.4 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;
- 3.6.4.5 agree 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 monitor the application of this policy;
- 3.6.4.6 monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 3.6.4.7 monitor the level of fees paid by the Company to the external auditor 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;
- 3.6.4.8 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 3.6.4.9 seek to ensure coordination of the external audit with the activities of the internal audit function;
- 3.6.4.10 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;
- 3.6.4.11 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the 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. The policy should include consideration of the following matters:
 - 3.6.4.11.1 threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 3.6.4.11.2 the nature of the non-audit services;
 - 3.6.4.11.3 whether the external audit firm is the most suitable supplier of the non-audit service;
 - 3.6.4.11.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
 - 3.6.4.11.5 the criteria governing compensation.
- 3.6.4.12 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;
- 3.6.4.13 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

- 3.6.4.14 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 3.6.4.14.1 a discussion of any major issues which arose during the audit;
 - 3.6.4.14.2 the auditor's explanation of how the risks to audit quality were addressed;
 - 3.6.4.14.3 key accounting and audit judgements;
 - 3.6.4.14.4 the auditor's view of their interactions with senior management;
 - 3.6.4.14.5 levels of errors identified during the audit;
- 3.6.4.15 review any representation letter(s) requested by the external auditor before it is (they are) signed by management;
- 3.6.4.16 review the management letter and management's response to the auditor's findings and recommendations;
- 3.6.4.17 review the effectiveness of the audit process, 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.

4. Reporting responsibilities

- 4.1 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:
- 4.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 3.1.1) and how these were addressed;
 - 4.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 3.6.4.8), 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;
 - 4.1.3 any other issues on which the Board has requested the Committee's opinion.
- 4.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 4.3 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:
- 4.3.1 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
 - 4.3.2 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 last conducted and advance notice of any retendering plans;
 - 4.3.3 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.

4.4 In compiling the reports referred to in 4.1 and 4.3, 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.

5. Other Matters

The Committee shall:

- 5.1 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for advice and assistance as required.
- 5.2 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.
- 5.3 Give due consideration to all relevant laws and regulations including, but not limited to, the provisions of the UK Corporate Governance Code and published guidance, the requirements (to the extent applicable to the Company) of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook, the Companies Act 2006, the requirements of the AIM Rules for companies, and any other applicable rules, in each case as appropriate and if, and to the extent, applicable to the Company, it being recognised that, as an AIM company, the Company may not be required to fully adhere to all such laws, regulations, guidance, recommendations and codes.
- 5.4 Be responsible for oversight of the coordination of the internal and external auditors.
- 5.5 Oversee any investigation of activities which are within its terms of reference.
- 5.6 Work and liaise as necessary with all other Board Committees ensuring 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.
- 5.7 Ensure that a periodic evaluation of the Committee's performance is carried out.
- 5.8 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.