

Audit Committee - Terms of Reference

1 Definitions

- 1.1 Reference to the "**Committee**" shall mean the Audit Committee.
- 1.2 Reference to the "**Board**" shall mean the Board of Directors.
- 1.3 Reference to the "**Company**" shall mean Michelmersh Brick Holdings PLC.

2 Membership

- 2.1 The Committee shall be made up of at least 2 members all of whom should be independent non-executive directors.
- 2.2 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. At least one member should have recent and relevant financial experience.
- 2.3 Only members of the Committee have the right to attend the Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive(s), Chief Financial Officer, other directors, or senior management responsible for risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
 - 2.4 The external auditors will be invited to attend meetings of the Committee on a regular basis, including to present the year-end audit report, and half-year audit review (if relevant) but shall not be entitled to vote at such meetings.
- 2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for up to two additional three year periods, provided the director remains independent.
- 2.6 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 at a fully convened meeting shall elect one of themselves to chair the meeting. The Board shall determine the period for which the Chairman of the Committee holds office.

3 Secretary

- 3.1 The Company Secretary, or their 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 a full and proper consideration to be given to issues.

4 Quorum

- 4.1 The quorum necessary for the transaction of business shall be 2 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.

5 Meetings

- 5.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required¹.
- 5.2 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(s), the Chief Financial Officer, and the external audit lead partner.
- 5.3 Meetings of the Committee may be held by conference telephone, video-conference or using similar communications equipment whereby all members participating in the meeting can hear each other.

6 Notice of Meetings

- 6.1 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 if they consider it necessary.
- 6.2 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, no later than 5 working days before the date of the meeting.
- 6.3 Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time as the relevant notice. Documents may be sent by post or electronically to members of the Committee.

7 Minutes of Meetings

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

¹ The frequency and timing of meetings will differ according to the needs of the Company. Meetings should be organised so that attendance is maximised (i.e. by timetabling to coincide with Board meetings).

- 7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

8 Annual General Meeting and Engagement with Shareholders

- 8.1 The Chairman of the Committee shall attend the Annual General Meeting (“AGM”) prepared to respond to any shareholder questions on the Committee’s activities. In addition, the Committee Chair should be available to engage with shareholders on significant matters related to the Committee’s area of responsibility.

9 Duties

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

9.2 Financial Reporting

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcements relating to financial performance.
- (b) The Committee shall review and challenge where necessary:
- (i) the application and consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (iv) the clarity and completeness of disclosures in the Company’s financial statements and the context in which statements are made;
 - (v) the appropriateness of any “Alternative Performance Measures” adopted by the Company, and the clarity of the explanation for the use of such measures;
 - (vi) the scenario analysis underlying the assessment of the Company’s status as a going concern, and management’s recommendation relating to the adoption of the going concern basis of accounting; and
 - (vii) all material information presented with the financial statements,

such as the business review, including the strategic report and the corporate governance statements (insofar as they relate to audit and risk management).

- (c) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its view to the Board.

9.3 Internal Controls and Risk Management Systems

The Committee shall:

- (a) keep under review the effectiveness of the Company's internal controls and risk management systems;
- (b) monitor compliance with any statement of internal control adopted by the Company; and
- (c) review and approve the statements to be included in the Annual Report concerning internal controls and risk management²•

9.4 Whistleblowing

- (a) The Committee shall review the Company's whistleblowing arrangements under which its employees, contractors and external parties may 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.
- (b) Review the Company's procedures for detecting fraud.
- (c) Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

9.5 Internal Audit

The Committee shall consider annually whether the Company's size and activities are such that an internal audit function should be established and, if so, determine its remit and make a recommendation to the Board. The Committee shall consider whether there are any trends or current factors relevant to the Company's activities, markets or other aspects that have increased, or are expected to increase, the risks faced by the Company.

9.6 External Audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-

² Unless this is done by the Board as a whole.

appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- (b) oversee the relationship with the external auditor including (but not limited to):
 - (i) approval of 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;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant law, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - (iv) 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);
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor taking into account ethical and legal requirements, then monitoring the implementation of this policy;
 - (vi) monitoring 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;
 - (vii) monitoring 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; and
 - (viii) assessing annually their qualification, expertise and resources and the effectiveness of the external audit process which shall include a report from the external auditor on their own internal quality procedures;
 - (ix) seek to ensure coordination of the external audit with the activities of the internal audit function (where such function exists);

- (x) 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;
 - (xi) 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.
- (c) 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;
- (d) discuss with the external auditor the factors that could affect audit quality and 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;
- (e) review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
- (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iii) any key accounting and audit judgements;
 - (iv) the auditor's view of their interactions with senior management; and
 - (v) levels of errors identified during the audit.
- (f) review any representation letter(s) requested by the external auditor before it is (they are) signed by management;
- (g) review the management letter and management's response to the auditor's findings and recommendations; and
- (h) 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.

9.7 Reporting Responsibilities

- (a) The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.

9.8 Other Matters

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- (b) 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;
- (c) give due consideration, as appropriate, to laws and regulations, the provisions of the Corporate Governance Code issued by the Quoted Companies Alliance, the requirements of the AIM Rules for Companies and the Financial Conduct Authority's Prospectus Rules and Disclosure Guidance and Transparency Rules, and the provisions, recommendations and disclosure requirements contained in the UK Market Abuse Regulation;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- (f) at least once a year, review its own performance, 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.

10 Authority

The Committee is authorised:

- 10.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 10.2 to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter within its terms of reference; and

- 10.3 to call any employee to be questioned at a meeting of the Committee as and when required.

Approved and adopted by the Board on 10 February 2023.