

Audit Committee Terms of Reference

Ceres Power Holdings plc

1. Duties of the Committee

The Committee shall:

1.1 External Audit

- a. Oversee the Company's relationship with the external auditors. Meet regularly with the external auditors, 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;
- b. Consider the appointment of the external auditors, the fees paid to the auditors (set in the context of the external auditors regulatory requirements), and any questions of resignation or dismissal of the external auditors and make recommendations to the Board on these matters;
- c. Review and approve the Audit Engagement Letter; 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;
- d. Review from time to time and at least annually the effectiveness of the audit and the qualification, expertise, independence and objectivity of the external auditors, including reviewing the nature and extent of non-audit and consultancy services supplied to the Company by the external auditors;
- e. Develop and recommend to the Board the Policy in relation to the provision of non-audit services by the external auditors; the aim being to ensure that the provision of such services does not impair the external auditors' independence or objectivity;
- f. Review, with the external auditors the relationships between the Company and the external auditors and the policies and procedures for maintaining independence; Monitor the auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners;
- g. Agree and monitor the policy for the employment of former employees of the external auditors;
- h. Review and monitor the content of the external auditor's management letter and establish whether recommendations have been acted upon;
- i. Review the audit representation letter before consideration by the Board;

1.2 Internal Audit

- a. Review on an annual basis the activities, resources and organisational structure of the Company, consider the need to establish an internal audit function, be responsible for co-ordination of the internal and external auditors and where appropriate, make a recommendation to the Board;

1.3 Financial Reporting

- a. Review the interim and preliminary financial announcements of the Company and the Annual Report and Accounts of the Company, before submission to the Board for approval, and, through reports from the executive management and the external auditors (where appropriate) to the Committee, consider the following:
 - o the appropriateness of accounting policies selected, the consistency with which they are applied and any changes in accounting policies and practice;
 - o the appropriateness of the material judgments and estimates made in the course of preparation of the accounts and the clarity of disclosures;
 - o the section of the Directors' Report which describes the role and responsibilities of the Committee and the actions taken by the Committee to discharge those responsibilities;
 - o significant adjustments resulting from the audit; and
 - o the going concern assumption;

- b. Consider any issues raised by executive management and the external auditors relating to the interim review and year end audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary);

1.4 Internal Control and Risk Management

The Committee exercises this role through the reports it receives from external auditors; from the CFO and from executive management. The Committee shall: -

- a. review, on behalf of the Board, the effectiveness of the system of internal control (including financial, operational, compliance and risk management) and the steps taken for the prevention and detection of fraud;
- b. review the proposed statement on the Directors' annual review of the Company's system of internal control prior to endorsement by the Board;
- c. 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 Audit Committee and the Board for review;
- d. consider the annual review of risk to ensure adequate oversight of risks faced by the Company (including credit, insurance & investment, IP, 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;
- e. 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;
- f. 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;
- g. review the arrangements for oversight of joint ventures and controlling stakes in subsidiaries and monitor, on an annual basis, the policy for such arrangements;
- h. consider the appropriateness of the "whistleblowing" procedures and the key issues emerging on a regular basis; and
- i. consider other matters, as determined by the Board.

2. Membership

2.1 The Committee is a committee of the Board of the Company and will comprise at least two 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.

2.2 Members shall be appointed for an initial term of three years which may be renewed at the discretion of the Board by no more than two additional three year periods.

2.3 At least one member of the Committee should have recent and relevant financial experience.

2.4 A quorum for the Committee is two Committee members.

2.5 The members of the Committee and the Chairperson 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 may be removed by the Board at its discretion.

2.6 The Company Secretary or his or her 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. Attendance at Meetings

3.1 The Committee shall meet no fewer than three times a year. Meetings of the Committee may be conducted when the members are physically present together or in the form of either audio or video conference.

3.2 The Committee may invite or require other persons to attend meetings where appropriate to assist in the effective discharge of the Committee's duties. Standing attendees would normally include the CFO and the CEO.

3.3 The Committee may meet separately with the CEO or the CFO without any other Executive Directors being present.

3.4 The Chairperson of the Committee will be available to meet with any employee to discuss any matters of concern in relation to financial reporting matters, internal control concerns or compliance with legal and regulatory obligations, in the widest sense, should this be considered necessary by those individuals.

4. Notice of Meetings

4.1 Meetings of the Committee shall be summoned by the Chairperson or the secretary of the Committee at the request of the Chairperson (or at the request of a member of the Committee or the auditors).

4.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

5. Authority

5.1 The Committee is authorised by the Board to undertake any activity within its terms of reference. The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary for such fee or fees as may be required up to a maximum of £10,000. For any expenditure as may be required over a sum of £10,000 the Committee shall obtain Board approval. The Committee is entitled to sufficient resources from the Company to undertake its duties.

5.2 The Committee is authorised to seek any reasonable information it requires from any employee of the Company and all employees are directed to cooperate with any such request made by the Committee.

5.3 Where a disagreement between the Committee and the Board cannot be resolved the Committee has the right to report the issue to the shareholders as part of the report on activities in the Annual Report.

5.4 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.

6. Reporting

6.1 The minutes of meetings of the Committee will be circulated to all members of the Committee, to members of the Board and to nominated recipients as soon as practicable after the meeting.

6.2 The Chairperson 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:

- a. the significant issues that it had considered in relation to the financial statements and how these were addressed;
- b. any other issues on which the Board has requested the Committee's opinion.

6.3 The Committee shall prepare a report on its role and responsibilities and actions it has taken to discharge those responsibilities for inclusion in the Annual Report, if required. This report will specifically include:

- A summary of the role of the Audit Committee
- The names and qualifications of all members of the Audit Committee and their attendance at Committee meetings during the period
- The way the Audit Committee has discharged its responsibilities

6.4 In the compiling the reports referred to in 6.3 the Committee should exercise judgment 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.

7. General Matters

7.1 The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and an ongoing basis for all members.

7.2 Arrange for periodic review of its own performance and, at least once a year, 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 of directors for approval.

7.3 The Committee shall give due consideration to applicable laws and regulations, the provisions of the QCA Corporate Governance Code and the requirements of the London Stock Exchange's rules for AIM companies as appropriate.

7.4 Outside of the formal meeting programme, the Committee Chairperson will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, Chief Executive, Chief Financial Officer and the external audit lead partner.

7.5 The Chairperson will be available in person at the Annual General Meeting of the Company to answer Shareholders' questions about the activities of the Committee.

7.6 The Committee shall make available its terms of reference on the Company's website.