

VOLEX PLC (THE "COMPANY")

AUDIT COMMITTEE

TERMS OF REFERENCE

1. OVERVIEW

- 1.1 The Audit Committee (the "Committee") has been established by resolution of the Board of Directors of the Company (the "Board").
- 1.2 The Company is not listed on the main market and consequently is not required to comply with the UK Corporate Governance Code. The Board, which is committed to maintaining high standards of corporate governance, has chosen, so far as is practicable given the Company's size and constitution of the Board, to comply with the provisions of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code").

2. MEMBERSHIP

- 2.1 The members of the Committee for the time being shall be:
- Chair, Dean Moore, Senior Independent Non Executive Director
 - Amelia Murillo, Independent Non Executive Director
- 2.2 Members of the Committee shall be appointed by the Board on the recommendation of the Nominations Committee, in consultation with the Chair of the Committee.
- 2.3 The Committee shall consist of at least two members.
- 2.4 All members of the Committee shall be independent non-executive directors, and at least one member of the Committee should have recent and relevant financial experience, ideally with a qualification from one of the accountancy bodies, and the Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.5 The Chair of the Committee, who shall be an independent non-executive director, shall be appointed by the Board on the recommendation of the Nominations Committee, which shall determine the period for which they shall hold office, and in consultation with the Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect themselves to chair the meeting.
- 2.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director remains independent and still meets the criteria for membership of the Committee.

3. QUORUM

- 3.1 The quorum for decisions of the Committee shall be any 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 in or exercisable by the Committee.
- 3.2 All of the members of the Committee may participate in a meeting of the Committee by means of a conference telephone, video call or any communication equipment which allows all persons participating in a meeting to hear each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to participate fully and be counted in the quorum accordingly.

4. ATTENDANCE AT MEETINGS

- 4.1 Only members of the Committee have the right to attend Committee meetings.
- 4.2 The Committee may invite other individuals, such as the Chair of the Board, the Group Chief Executive, the Group Finance Director, other directors, the Group Head of Internal Audit, the Group Financial Controller and representatives from the finance function, to attend and speak at meetings of the Committee as and when appropriate.
- 4.3 Senior representatives of the external auditor shall be invited to attend meetings of the Committee on a regular basis.

5. SECRETARY

- 5.1 The Company Secretary or his or her deputy shall act as the secretary of the Committee and shall keep a record of the membership of and the dates of any changes to the membership of the Committee.
- 5.2 The Company Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

6. FREQUENCY OF MEETINGS

- 6.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 6.2 Outside of the formal meeting programme, the Chair of the Committee shall maintain a dialogue with key individuals involved in the Company's governance, including the Executive Chair of the Board, the Group Finance Director, the external audit lead partner and the Group Head of Internal Audit.

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- 6.3 Meetings of the Committee shall be called by the Chair of the Committee or by the Company Secretary at the request of any member of the Committee or at the request of the external auditor or the Group Head of Internal Audit if they consider it necessary.
- 6.4 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, any other person required to attend and all other non-executive directors, where possible no later than five working days before the date of the meeting. Supporting papers shall be sent to the Committee members, and to other attendees as appropriate, at the same time.

7. MINUTES OF MEETINGS

- 7.1 The Company Secretary or his or her deputy shall minute the proceedings and discussions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, exceptionally, in the opinion of the Chair of the Committee it would be inappropriate to do so.

8. SHAREHOLDER ENGAGEMENT

- 8.1 The Chair of the Committee (or in his or her absence at least one Committee member) shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities and achievements.
- 8.2 In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility, including audit and financial issues.

9. AUTHORITY

- 9.1 The Committee is authorised to:
- 9.1.1 seek any information it requires from any employee of the Company in order to perform its duties;
 - 9.1.2 obtain, at the expense of the Company, external professional advice and to secure the attendance of third parties with relevant experience at meetings of the Committee if it considers this necessary;
 - 9.1.3 call any employee to be questioned at a meeting of the Committee as and when required; and
 - 9.1.4 have published in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

10. DUTIES

The Committee should carry out the duties below for the Company, its major subsidiary undertakings and the Group as a whole, as appropriate.

Financial reporting

- 10.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other announcements or presentations relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor.
- 10.2 The Committee shall review and challenge where necessary:
- 10.2.1 the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company and its Group;
 - 10.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 10.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 10.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - 10.2.5 all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management);
 - 10.2.6 the annual financial statements of any pension funds where not reviewed by the Board as a whole;
 - 10.2.7 major judgemental areas;
 - 10.2.8 significant adjustments resulting from the audit;

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10.2.9 the going concern assumption;

10.2.10 compliance with applicable regulatory and legal requirements; and

10.2.11 compliance with best practice in areas of corporate governance relative to the size of the company.

10.3 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.

Narrative reporting

10.4 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.

Internal controls and risk management systems

10.5 The Committee shall:

10.5.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;

10.5.2 review and approve the statements to be included in the annual report concerning internal controls and risk management;

10.5.3 where requested by the Board, ensure that a robust assessment of the principal and emerging risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks; and

10.5.4 where requested by the Board, provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

Compliance, whistleblowing and fraud

10.6 The Committee shall:

10.6.1 review the adequacy and security of the Company's arrangements for its employees and contractors 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; [Note: under the 2018 UK Corporate Governance Code, this is now a matter for the Board as a whole. Would you like to move this to the Board Reserved Matters?]

10.6.2 review the Company's procedures for detecting, monitoring and managing fraud; and

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

Internal audit

10.7 The Committee shall:

10.7.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;

10.7.2 approve the appointment and removal of the Group Head of Internal Audit;

10.7.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions in the conduct of its role;

10.7.4 review and assess the annual internal audit plan to ensure that it is appropriate to the current needs of the organisation;

10.7.5 ensure that there is open communication between the different functions and that the internal function evaluates the effectiveness of risk, compliance and finance functions as part of its internal audit plan;

10.7.6 review and assess the annual internal audit workplan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;

10.7.7 review promptly periodic reports on the Company from the internal audit function;

10.7.8 review and monitor management's responsiveness to the findings and recommendations of the internal audit function; and

10.7.9 meet the Group Head of Internal Audit at least once a year, without management being present, to discuss their remit and

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any issues arising from the internal audits carried out. In addition, the Group Head of Internal Audit shall be given the right of direct access to the Chair of the Board and to the Committee.

External Audit

10.8 The Committee shall:

- 10.8.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting of the Company, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 10.8.2 develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services taking into account relevant regulations and ethical guidance regarding the provision of non-audit services by the external audit firm and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed. 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;
 - (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;
- 10.8.3 oversee the relationship with the external auditor including (but not limited to):
- (a) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) assessing annually their independence and objectivity taking into account relevant UK law, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business);
 - (e) agreeing with the Board a policy on the employment of former employees of the Company's external auditor, then monitoring the implementation of this policy;
 - (f) monitoring the external auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - (g) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - (h) seeking to ensure co-ordination with the activities of the internal audit function;
 - (i) considering the risk of the withdrawal of the Company's present external auditor from the market; and
 - (j) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their external auditor from the market in that evaluation;
- 10.8.4 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. At least once every year, the Committee shall meet the external auditor without management being present, to discuss the external auditors' remit and any issues arising from the audit;
- 10.8.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 10.8.6 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) an explanation of how key risks to audit quality were addressed;
 - (c) any accounting and audit judgements;
 - (d) levels of errors identified during the audit; and
 - (e) the effectiveness of the audit process;

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- 10.8.7 reviewing any representation letter(s) requested by the external auditor before they are signed by management; and
- 10.8.8 reviewing the management letter and management's response to the external auditor's findings and recommendations.

11. REPORTING RESPONSIBILITIES

- 11.1 All decisions of the Committee shall be reported formally to the Board by the Chair of the Committee. The Chair of the Committee shall also formally report to the Board on how it has discharged its responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. All decisions on recommendations referred to the Board shall take effect only upon approval thereof by resolution of the Board, at a meeting which is properly convened and constituted and in accordance with the Company's articles of association.
- 11.3 The Committee shall compile a report on its activities in discharging its responsibilities to be included as a separate section in the Company's annual report. The report should include:
- 11.3.1 the significant issues that it considered in relation to the financial statements (required under paragraph 10.1) and how these were addressed;
 - 11.3.2 an explanation of how it has assessed the effectiveness of the external audit process (required under paragraph 10.8.3(g)) and the approach taken to the appointment or re-appointment of the external auditor;
 - 11.3.3 if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded;
 - 11.3.4 any other issues on which the Board has requested the Committee's opinion; and
 - 11.3.5 all other information required under the QCA Code and the QCA Audit Committee Guide.
- 11.4 In compiling the reports referred to in 11.1 and 11.4, 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross- references to that information.

12. OTHER MATTERS

- 12.1 The Committee shall:
- 12.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
 - 12.1.2 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;
 - 12.1.3 give due consideration to applicable laws and regulations, as well as published guidelines including but not limited to the QCA Code, the QCA Audit Committee Guide, the AIM Rules for Companies and the UK Corporate Governance Code;
 - 12.1.4 be responsible for co-ordination of the internal audit function and the external auditor;
 - 12.1.5 oversee any investigation of activities which are within its terms of reference;
 - 12.1.6 work and liaise as necessary with all other Board committees; and
 - 12.1.7 arrange for periodic reviews 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.

Approved by the Volex Board of Directors on 18 March 2021.