

# **Corcel plc**

## **Audit Committee Terms of Reference**

### **Chairman and members of the committee**

1. Members of the committee shall be appointed by the Board. The minimum number of members shall be two.
2. The Board shall appoint the committee chairman from amongst the members of the committee.
3. At least one of the members shall have recent and relevant financial experience.
4. Only members of the committee have the right to attend committee meetings. However, other individuals such as the Executive Chairman, Chief Executive Officer and representatives from the finance team may be invited to attend all or part of any meeting as and when appropriate.
5. The external auditors will be invited to attend meetings of the committee on a regular basis.
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 member in question continues to be determined by the Board as being independent.

### **Secretary**

7. The Company Secretary shall be the secretary of the committee and shall keep appropriate minutes of its proceedings. The Company Secretary should have direct access to the chairman of the committee at all times.

### **Quorum**

8. Two members of the committee shall constitute a quorum.

### **Notice and frequency of meetings**

9. Meetings shall be held not less than two times per year on pre-arranged dates as set out in the corporate calendar, or otherwise at the request of any of its members or at the request of external or internal auditors if they consider it necessary. Meetings of the committee shall be called by the secretary of the committee.
10. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with the agenda of items to be discussed, shall be forwarded to each member of the committee no later than four working days before the date of the meeting.

### **Annual General Meeting**

11. The chairman of the committee shall attend the Annual General Meeting and shall be prepared to respond to any shareholder questions on the committee's activities.

## **Authority**

12. The committee is authorised by the Board to investigate any activity within these terms of reference and can seek any information it requires from any employee and all employees shall be directed to co-operate with any request by the committee. The committee may call any employee to be questioned at a meeting of the committee as and when required.

13. The committee may obtain, at the Company's expense, outside legal or independent professional advice and such advisors may attend meetings as necessary and appropriate. Such advice must be sought at a reasonable cost commensurate with the matter under review.

14. The committee is authorised by the Board to ensure that the internal audit, corporate secretariat and risk management functions are adequately resourced and have appropriate authority within the Company.

15. Whilst there are two members of the committee decisions will be agreed on the basis of unanimity. This will be reviewed if the number of committee members increases.

## **Duties**

16. The duties of the committee shall be:

### **i) Internal controls and risk management systems**

- To assess the scope and review the effectiveness of the Company's internal controls and the systems established by management to identify, assess, manage and monitor financial and non-financial risks.
- To review and approve the statements to be included in the annual report & accounts concerning internal controls and risk management.
- To consider the findings of internal investigations and managements' response to those.
- To call for and review a thorough and regular evaluation of the nature and extent of the risks to which the Company is exposed.
- To review the company's risk management strategy and the results of management's regular risk analysis work.
- To review and supervise the Company's procedures for reporting of fraud and for handling allegations or information from "whistleblowers" and to receive and consider regular reports on any allegations or instances of fraud and/or matters brought to management's attention under the "whistleblowing" policy. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

### **ii) Internal audit**

- There is no current internal audit function. The requirement for an internal audit function will be kept under annual review.

### iii) External audit

- To make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor, the audit fee, the terms of engagement, including their engagement letter, and any questions of resignation or dismissal. If an auditor resigns, the committee shall investigate the issues leading to this and decide whether any action is required.
- To discuss with the external auditor before the audit commences the nature and scope of the audit.
- To ensure co-ordination where more than one firm of auditors is involved.
- To monitor and review annually the external auditor's independence, objectivity and effectiveness, taking into consideration the auditor's quality control procedures and steps taken by the auditor to respond to changes in relevant professional and regulatory requirements, 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).
- To 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 present, to discuss their remit and any issues arising from the half year and final audits and the intervening quarterly reviews, and any matters the auditor may wish to discuss (in the absence of management where necessary).
- To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- To review the findings of the audit with the external auditor. This shall include but not be limited to the following:
  - a discussion of major issues which arose during the audit;
  - any accounting and audit judgements.
  - levels of error identified during the audit.
- To review the effectiveness of the audit, review any representation letter requested by the external auditor before they are signed by management, review the external auditor's management letter and management's response to this and the letter of representation.
- To develop and implement the policy for provision of non-audit services by the external auditor and to keep under review the nature and extent of non-audit services supplied by the auditors.
- To pre-approve fees in respect of non-audit services provided by the external auditor in accordance with the policy approved by the board and to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity.

- To agree with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy.
- To monitor the auditor's compliance with 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.
- To assess annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
- To seek to ensure coordination with the activities of the internal audit function.

#### iv) Financial reporting

- To monitor the integrity of the half year and annual financial statements before submission to the Board, reviewing significant financial reporting and issues and judgments, focusing particularly on matters of material financial impact.

The committee shall also review any significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

#### **The committee shall also review and challenge where necessary:**

- The consistency of, and any changes to, accounting policies and practices, and any changes in them, both on a year on year basis and across the Group,
- Decisions requiring a major element of judgment;
- The extent to which the financial statements are affected by any unusual transactions in the period in question, the methods used to account for significant or unusual transactions where different approaches are possible and how they are disclosed;
- The clarity of disclosures in the Company's financial reports and the context in which statements are made;
- Significant adjustments resulting from the audit;
- The going concern assumption;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
- All material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to the audit and risk management);

- Reviewing the Company's statement on internal control systems prior to endorsement by the board and reviewing the policies and process for identifying and assessing business risks and the management of those risks by the company;
- Any formal announcements relating to the Company's financial performance;

Where, following its review, the committee is not satisfied with any aspect of the proposed financial reporting by the Company it must report its views to the board.

#### v) Generic

- The committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- To escalate any significant issues to the board and make recommendations for resolving these issues.
- To consider other topics as defined from time to time by the board.
- To conduct an annual review of their work and these terms of reference and make recommendations to the board.
- The committee shall compile a report to shareholders on its activities to be included in the company's annual report.
- The committee shall:

have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;

- 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;
- give due consideration to laws and regulations, the provisions of the combined code and the requirements of the UKLA's listing, prospectus and disclosure and transparency rules as appropriate;
- be responsible for coordination of the external auditors;
- oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of last resort;
- 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.

#### **Membership**

Ewen Ainsworth (Chairman), Nigel Burton