

**MAJEDIE INVESTMENTS PLC (the “Company”)**

**AUDIT COMMITTEE (the “Committee”)**

**TERMS OF REFERENCE**

**(approved by the Board of Directors at a meeting held on 15 May 2019)**

**1. OBJECTIVE**

- 1.1** It is the overall purpose of the Committee to establish a formal and transparent means of corporate reporting together with risk management and internal control principles and to maintain an appropriate relationship with the Company’s auditor.

**2. TERMS OF REFERENCE TO BE MADE AVAILABLE**

- 2.1** The Committee shall make available, on request, these terms of reference explaining its role and the authority delegated to it by the Board.

**3. MEMBERSHIP**

- 3.1** The Committee shall comprise at least two members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Committee chairman. Where the Chairman of the Board is a member of the Committee, the Board should explain in the annual report why it believes this is appropriate.
- 3.2** All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience and be competent in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector.
- 3.3** Only members of the Committee have the right to attend Committee meetings. However, the finance director, external auditors and other non-members may be invited to attend meetings of the Committee as and when appropriate and necessary.
- 3.4** The Board shall appoint the Committee chairman who shall be an independent non-executive director. In the absence of the appointed chairman of the Committee, the remaining members present shall elect one of their number to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board.

**4. SECRETARY**

- 4.1** The Company Secretary, or his or her nominee, shall act as the secretary of the Committee. The Company Secretary will keep a record of the membership of the Committee and of the dates of changes to the membership. 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 issues.

**5. QUORUM**

- 5.1** The quorum necessary for the transaction of business shall be two. 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.

## **6. FREQUENCY OF MEETINGS**

**6.1** The Committee shall meet at least twice a year and otherwise as required.

## **7. NOTICE OF MEETINGS**

**7.1** Meetings of the Committee shall be convened by the Company Secretary at the request of any of its members or the auditor.

**7.2** 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, any other person required to attend and all other non-executive directors, no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and other attendees as appropriate, at the same time. These may be issued via electronic means.

## **8. MINUTES**

**8.1** The Company Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

## **9. ANNUAL GENERAL MEETING**

**9.1** The Committee chairman shall attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

## **10. DUTIES OF THE COMMITTEE**

The Committee shall carry out the duties below for the Company:

**10.1** The Committee shall monitor the integrity of the financial statements of the Company, including its Annual and Half Yearly Reports and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

### **10.2 Financial reporting**

In particular, the Committee shall review and challenge where necessary:

**10.2.1** the application of significant accounting policies and any changes to them;

**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 an external auditor;

**10.2.4** the clarity of disclosure in the Company's financial reports and the context in which statements are made and satisfy itself that the Annual Report and Accounts is fair, balanced and understandable (when taken as a whole); and

**10.2.5** 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.

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.

### **10.3 Narrative reporting**

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 position and performance, business model and strategy.

### **10.4 Internal controls and risk management systems**

The Committee shall:

**10.4.1** recommend to the Board the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives;

**10.4.2** conduct a review, at least annually, of the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and establish procedures for the management of risk and oversight of the internal control framework; and

**10.4.3** review and approve the statements to be included in the Annual Report concerning internal controls, risk management and the viability statement.

### **10.5 Compliance, whistleblowing and fraud**

The Committee shall:

**10.5.1** assess the adequacy and security of the arrangements (including any policies) for its employees and service providers 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 and appropriate follow up action;

**10.5.2** review the Company's procedures for detecting fraud; and

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

### **10.6 Audit**

The Committee shall:

**10.6.1** consider, periodically, if the Company should put in place an internal audit function;

**10.6.2** approve the appointment and removal of the Committee chairman;

**10.6.3** consider its remit 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 that the function has adequate standing and is free from restrictions;

**10.6.4** oversee and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's auditor. The Committee shall conduct 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;

**10.6.5** oversee the relationship with the auditor including (but not limited to):

- 10.6.5.1** recommendations on 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; and
- 10.6.5.2** approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 10.6.6** assess annually their independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 10.6.7** satisfy itself that there are no relationships between the auditor and the Company which could adversely affect the auditor's independence and objectivity;
- 10.6.8** agree with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- 10.6.9** monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 10.6.10** 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;
- 10.6.11** 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;
- 10.6.12** 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;
- 10.6.13** develop and implement and oversee a policy on the supply of non-audit services by the auditor taking into account any relevant ethical guidance on the matter;
- 10.6.14** meet regularly with the auditor, including once at the planning stage before the audit and one after the audit at the reporting stage. The Committee shall meet with the auditor at least once a year, without management and the various appointed third parties being present to discuss the auditor's remit and any issues arising from the audit;
- 10.6.15** review and approve the audit plan and ensure that it is consistent with the scope of the audit engagement;
- 10.6.16** review the findings of the audit with the auditor. This shall include (but not be limited to) the following:
  - 10.6.16.1** a discussion of any major issues which arose during the audit;
  - 10.6.16.2** any key accounting and audit judgements;
  - 10.6.16.3** levels of errors identified during the audit;
  - 10.6.16.4** the effectiveness of the audit; and
- 10.6.17** review any representation letter(s) requested by the auditor before they are signed.

## **11. REPORTING RESPONSIBILITIES**

- 11.1** The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within the duties of the Committee and will report 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.
- 11.3** The Committee shall produce a report to shareholders on its activities to be included in the Company's Annual Report.
- 11.4** The Committee shall assess and present to the Board, the basis on which the Company has been determined as a going concern.
- 11.5** For the purposes of the viability statement, the Committee should assess:
  - 11.5.1** The current position of the Company and the principal and emergent risks facing it, including those that would threaten its business model, future performance, solvency or liquidity, and how they are managed and mitigated; and
  - 11.5.2** the prospects of the Company over such period deemed appropriate (significantly longer than 12 months).

## **12. OTHER MATTERS**

The Committee shall:

- 12.1** have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 12.2** oversee any investigation of activities which are within its terms of reference; and
- 12.3** 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.

## **13. AUTHORITY**

The Committee is authorised:

- 13.1** to seek any information it requires from the Manager and from the Company Secretary in order to perform its duties;
- 13.2** to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference when the Committee reasonably believes it necessary to do so having regard to the procedure for the directors on taking independent professional advice; and
- 13.3** to request that representatives of the Manager and the Company Secretary are available to answer questions as required.