



# Supply@ME Capital PLC (the “Company”) Audit Committee terms of reference

Last Approved: 7 April, 2022

## 1. Constitution

- 1.1. The Audit Committee (the “**Committee**”) is constituted as a committee of the board of directors of Supply@ME Capital plc (the “**Board**”) in accordance with the articles of association of the Company.
- 1.2. The Committee has the delegated authority of the Board in respect of the functions, powers and duties set out in these terms of reference.
- 1.3. The Committee may sub-delegate any or all of its powers and authority to one or more of its members or to the Company Secretary (or their nominee), including, without limitation, the establishment of sub-committees which are to report back to the Committee.

## 2. Duties and terms of reference

- 2.1. The Committee shall have oversight of the Group as a whole, and shall carry out the duties stated below.

### 2.2. Financial reporting

- 2.2.1. 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 formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the auditor.
- 2.2.2. The Committee shall review and challenge where necessary:
  - 2.2.2.1 The consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and its subsidiaries (the “**Group**”);
  - 2.2.2.2 The methods used to account for significant or unusual transactions where different approaches are possible;
  - 2.2.2.3 Whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of an external auditor;
  - 2.2.2.4 The clarity and completeness of disclosures in the Company’s financial statements and the context in which statements are made; and
  - 2.2.2.5 All material information presented with the financial statements, such as the business review/ operating and financial review and any corporate governance statement

(insofar as it relates to the audit and to risk management).

2.2.2.6 Where the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Group, to report its views to the Board.

### 2.3. Narrative reporting

2.3.1. 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 and that the narrative reporting is consistent with the financial statements.

### 2.4. Internal controls and risk management systems

Keep under review the effectiveness of the Group's internal financial controls and internal controls and risk management systems and review and approve the statements to be included in the annual report and accounts of the Company concerning internal controls and risk management.

The Committee shall also be required to:

2.4.1. Keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;

2.4.2. Review and approve the statements to be included in the annual report concerning internal controls and risk management, including the assessment of principal risks and emerging risks, and the viability statement;

2.4.3. assist the Board with the definition and execution of a risk management strategy, risk policies and current risk exposures, including any prudential risks;

2.4.4. In support of the Board's risk management strategy, to:

(a) ensure that the Audit Committee delivers effective monitoring of risk management systems and risk appetite across the Group by working closely at all times with the compliance and risk management departments;

(b) review the Group's compliance system of corporate standards and procedures and assess the effectiveness of these standards and procedures;

(c) assess the policies and systems within the Group for ensuring compliance with safety and environmental regulatory requirements;

(d) assess the performance of the Group with regard to the impact of safety and environmental decisions and actions upon employees, communities, other third parties and the overall reputation of the Group;

(e) evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning safety and environmental issues;

(f) ensure the adequacy of insurance coverage for the Group;

(g) maintain a risk register which will identify all material risks, evaluate any financial impact of such risks, identify actions to mitigate or avoid any potential impact from such risks, and, going forward, monitor and review the risks; and

(h) review the results of any independent audits of the Group's performance in regard to safety and environmental matters, review any strategies and action plans developed by management in

response to issues raised and, where appropriate, make recommendations to the Board concerning the same;

- 2.4.5 to assist the Board with monitoring and reviewing the Group's risk management and internal control systems on an on-going basis, including monitoring material financial, operational and compliance controls and ensuring corrective action is taken where necessary;
- 2.4.6 to assist the Board with its annual review of, and report on, the effectiveness of the Group's risk management and internal control systems and the viability statement, including meeting at least once annually with the internal audit function, where such function exists, without senior management present, to discuss the internal audit, control and risk management functions (other than in relation to those matters for which the Audit Committee is responsible), and to review the Group's statement on internal control prior to endorsement by the Board;
- 2.4.7 to assist the Board to draw on the results of the on-going monitoring process to obtain sound, appropriately documented evidence to support the relevant statements and confirmations required from the Board in the annual report (and, in the case of (c) below, the half-yearly financial statements) including:
- (a) that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
  - (b) how the Board has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate;
  - (c) whether the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment; and
  - (d) the appropriateness of adopting the going concern basis of accounting in the financial statements and whether there are any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of the approval of the financial statements.
- 2.4.8 to advise the Board on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment;
- 2.4.9 to oversee and advise the Board on the current risk exposures of the Group and future risk strategy and the steps taken to manage those risks;
- 2.4.10 to review the Group's capability to identify and manage new risk types;
- 2.4.11 to monitor and review the effectiveness of the Group's risk management and internal control systems, in particular the effectiveness and relative costs and benefit of particular controls;
- 2.4.12 to review the Group's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the board's assessment of principal and emerging risks;
- 2.4.13 to review and assess the Group's risk appetite and associated stress testing;
- 2.4.14 to evaluate the Group's principal risks, to be taken into account by the Board when assessing the Group's prospects;
- 2.4.15 to evaluate the appropriateness of the Group's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Group;

2.4.16 to seek assurance on the risks the Group identifies as those to which the business may be exposed. The risks will be specific to the Group's circumstances but are likely to include the following:

- Strategic risk, including threats to the business model or future performance
- Reputational risk
- Regulatory and conduct risk
- Information security risk
- Operational risk
- Credit risk
- Market risk
- Transactional risk
- Capital
- Insolvency
- Liquidity
- Counterparty risk
- Material litigation
- Environmental, Social and Governance (ESG) issues
- Ethical codes
- Health and safety
- Pandemic risk
- Business continuity plans
- Duties under the Companies Act 2006

Other risks specific to the Group's sector and its operations need to be identified and may, for example, include:

- Insurance risk
- Asset impairments
- Research and development
- Supply chains

2.4.17 to advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact;

- 2.1.18 to advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on implications for the risk appetite, tolerance and strategy of the Group, and taking independent external advice where appropriate and available.

## 2.5. Compliance, speaking-up and fraud

The Committee shall:

- 2.5.1. Review the adequacy and security of the Group's arrangements for its employees, contractors and external parties 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;
- 2.5.2. Review the Company's procedures for detecting fraud;
- 2.5.3. Receiving reports on prevention of bribery non-compliance, anti-fraud, whistleblowing and money laundering, and reviewing the adequacy and effectiveness of the Group's systems and controls in place for such matters; and
- 2.3.4 Review regular reports from the Group's Money Laundering Reporting Officer and the adequacy and effectiveness of the Group's anti-money laundering systems and controls.

## 2.6. Internal audit

- 2.6.1. The Committee shall monitor at least annually the need for an internal audit function in the context of the Group's overall risk management system.

## 2.7. External audit

The Committee shall:

- 2.7.1. Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 2.7.2. Oversee the selection process for the appointment of new auditors in accordance with applicable governance and regulatory requirements;
- 2.7.3. Investigate the issues leading to any resignation of the external auditor and decide whether any action is required;
- 2.7.4. Oversee the relationship with the external auditor including (but not limited to):
  - 2.7.4.1 Approving their remuneration, including both fees for audit and non-audit services, ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 2.7.4.2 Approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 2.7.5. Assess annually the external auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 2.7.6. Satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could affect the auditor's independence and objectivity;
- 2.7.7. Agree with the Board a policy on the employment of former employees of the Group's auditor, then monitoring the implementation of this policy;

- 2.7.8. Monitor 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 the audit partner and staff;
  - 2.7.9. Monitor the level of fees paid by the Group 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;
  - 2.7.10. 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;
  - 2.7.11. 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;
  - 2.7.12. Recommend to the Board the Company's formal policy on the provision of non-audit services to the Group by the auditor, including prior approval by the Committee of non-audit services and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements.
- 2.8. The Committee shall meet on a regular basis with the external auditor, including once after the audit at the reporting stage. This will include the review and approval of the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
  - 2.9. The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
    - 2.9.1. A discussion of any major issues which arose during the audit;
    - 2.9.2. The auditor's explanation of how the risks to audit quality were addressed;
    - 2.9.3. Any accounting and audit judgements;
    - 2.9.4. The auditor's view of their interactions with senior management
    - 2.9.5. Levels of errors identified during the audit and;
    - 2.9.6. The effectiveness of the audit.
  - 2.10. Review any representation letter(s) requested by the external auditor before signature by management.
  - 2.11. Review the management letter and management's response to any findings and recommendations of the auditor.

### 3. Engagement with shareholders

- 3.1. The Committee Chair should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities. In addition the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

### 4. Membership

- 4.1. The members of the Committee shall be appointed by the Board, upon the recommendation of the Nomination Committee and in consultation with the Chair of the Committee. All of the members of the Committee should be independent non-executive directors.
- 4.2. The Committee shall have at least two members, at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from a recognised accounting body. The

Committee as a whole shall have competence relevant to the sector in which the Company operates.

- 4.3. The Board shall appoint the Committee Chair. In the absence of the Committee Chair, the remaining members present shall, provided the meeting is quorate, elect one of themselves to chair the meeting.
- 4.4. Only members of the Committee have a right to attend Committee meetings. However, the CEO, the CFO, internal audit function (where once exists) and representatives of the external auditor will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any Committee meeting as and when appropriate.
- 4.5. 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 members continue to be independent.

## 5. Attendance at meetings

- 5.1. The quorum necessary for the transaction of business shall be any two members.
- 5.2. The Committee will meet at least twice a year, and at other times during the year as agreed between the members of the Committee or as required.
- 5.3. The Company’s external auditors may be required to attend Committee meetings, without the presence of any of the executive directors of the Company, with a view to consulting with the Committee.
- 4.4. Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company’s governance including the Chair of the Board, the CEO, the CFO, the external auditor and the internal audit function (where one exists).

## 6. Secretary

- 6.1 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 the issues.

## 7. Notice of meetings

- 7.1. Meetings of the Committee shall be called by the Committee Chair at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.
- 7.2. 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 two 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.

## 8. Voting

- 8.1. Each member of the Committee shall have one vote which may be cast on matters considered at any meeting. Votes can only be cast by members attending a meeting of the Committee.
- 8.2. If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3. Subject to item 8.2, the Chairman of the Committee will have a casting vote.

## 9. Authority

- 9.1. 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.
- 9.2. The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference.
- 9.3. The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.

## 10. Reporting

- 10.1. The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted. Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be submitted to the Board as a formal record of the decisions of the Committee on behalf of the Board unless a conflict of interest exists or it is otherwise inappropriate to do so.
- 10.2. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Chair shall (on behalf of the Committee) make whatever recommendations to the Board deemed appropriate on any area within the Committee's remit where action or improvement is needed.
- 10.3. The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report and accounts.

## 11. General matters

- 11.1. The recommendations of the Committee minutes must be approved by the Board before they can be implemented.
- 11.2. The Committee shall consider such other matters as may be requested by the Board.
- 11.3. The Committee shall:
  - 11.3.1. Have access to sufficient resources in order to carry out its duties across the group, including access to the Company Secretary for advice and assistance as required;
  - 11.3.2. Be provided with appropriate and timely training as considered necessary;
  - 11.3.3. Give due consideration to applicable laws and regulations, the provisions of the Company's chosen corporate governance code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;



- 11.3.4. Oversee the co-ordination of the external auditors
- 11.3.5. Oversee any investigation of activities which are within its terms of reference;
- 11.3.6. Work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- 11.3.7. Arrange for an annual review of its own performance and, , 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.