

# BLANCCO TECHNOLOGY GROUP PLC

## Audit Committee Terms of Reference

### 1. Duties

The duties of the Audit Committee are as follows and are in relation to the parent company, major subsidiary undertakings and the group as a whole.

#### 1.1 Financial statements

1.1.1 To monitor the integrity of the financial statements of the Company, including the full and half year results announcements and the annual report and any other formal announcements relating to the Company's financial performance (including trading updates) and to review significant financial reporting judgements contained in them and to report on these to the Board.

1.1.2 In relation to the documents referred to in 1.1.1 above, to review and challenge where necessary:

- compliance with appropriate accounting standards
- the consistency of application of, and any changes in, accounting policies and practices
- major judgemental areas and emerging issues
- the methods used to account for significant or unusual transactions where different approaches are possible
- significant adjustments resulting from the audit
- the going concern assumption
- the clarity and completeness of disclosure and the context in which statements are made
- 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 to risk management) and
- compliance with the AIM rules and legal requirements.

1.1.3 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.

#### 1.2 Narrative reporting

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.

#### 1.3 Internal controls and risk management

1.3.1 To keep under review the effectiveness of the group's system of internal controls (including but not limited to, financial controls) and risk management systems and to report to the Board regarding such systems on an annual basis.

1.3.2 To review and recommend to the Board, the statements to be included in the annual report concerning internal controls and risk management.

#### **1.4 Internal audit**

To monitor and review the effectiveness of the Company's internal audit arrangements in the context of the Company's overall risk management systems and, where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board.

#### **1.5 External audit**

- 1.5.1 To make recommendations to the Board, for it to put to shareholders for their approval in general meeting, in relation to the appointment, reappointment and removal of the external auditors.
- 1.5.2 To ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and in respect of such tender, oversee the tendering and selection process.
- 1.5.3 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 1.5.4 To recommend to the Board the remuneration for the external auditors including both the fees for audit and non-audit services and the terms of engagement of the external auditors.
- 1.5.5 To agree with the external auditors after they have consulted with management, each year before the audit commences, the scope, approach and emphasis of their work, and the engagement letter.
- 1.5.6 To review and monitor annually the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements.
- 1.5.7 To satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- 1.5.8 To agree with the board a policy on the employment of former employees of the company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy.
- 1.5.9 To 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.
- 1.5.10 To 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.
- 1.5.11 To develop and implement a policy on the engagement of the external auditors to supply non-audit services by the auditor, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor including approval of non-audit services by the committee and specifying the types of non-audit services to be pre-approved and assessment of whether non-audit services have a direct or material effect on the audited financial statements.

The policy should include consideration of the following matters:

1.5.11.1 threats to the independence and objectivity of the external auditor and any safeguards in place

1.5.11.2 the nature of the non-audit services

1.5.11.3 whether the external audit firm is the most suitable supplier of the non-audit services

1.5.11.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee

1.5.11.5 the criteria governing compensation.

1.5.12 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) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.

1.5.13 To discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

1.5.14 To review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

1.5.14.1 a discussion of any major issues which arose during the audit

1.5.14.2 the auditor's explanation of how the risks to audit quality were addressed

1.5.14.3 key accounting and audit judgements

1.5.14.4 the auditor's view of their interactions with senior management

1.5.14.5 levels of errors identified during the audit.

1.5.15 To discuss reservations arising from the full and half year audits and any matters which the external auditors may wish to discuss (in the absence of management where necessary).

1.5.16 To review any representation letter(s) requested by the external auditor before they are approved by the Board and signed by management.

1.5.17 To review the external auditors' management letter and management's response.

1.5.18 To review annually the reporting systems of the external auditors and the internal finance function to ensure that the flow of information is appropriate and timely.

1.5.19 To seek to ensure co-ordination with the activities of the internal audit function, where one exists.

1.5.20 To review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

## **1.6 Whistleblowing and fraud**

1.6.1 To review the adequacy of arrangements for 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.

1.6.2 To review the Company's procedures for detecting fraud.

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

## **1.7 General**

To consider other topics as requested by the Board from time to time.

## **2. Membership**

- 2.1 The Committee will be appointed by the Board and will consist of not less than two independent non-executive directors.
- 2.2. A quorum will be 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.
- 2.3 At least one member of the Committee should have recent and relevant financial experience. The Committee as a whole should have competence relevant to the sector in which the Company operates.
- 2.4 Membership of the Committee will be reviewed by the Board on a regular basis.
- 2.5 The Chair of the Committee will be appointed by the Board. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 The Company Secretary will be Secretary to the Committee.

## **3. Meetings**

- 3.1 Meetings will be held not less than three times a year and two of the meetings will be scheduled to review the half year and full year results respectively. Any member of the Audit Committee may request a meeting of the Committee if they consider it necessary.
- 3.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer, the Chief Financial Officer and other staff (such as representatives from the finance function) may be invited to attend for all or part of any meeting, as and when appropriate.
- 3.3 Without prejudice to the foregoing provision, the Chief Financial Officer will be invited to attend meetings on a regular basis. A partner of the external auditors will attend when invited. The Committee will meet with the external auditors without any executive directors present at least once a year.

## **4. Minutes**

The Secretary shall produce minutes of each meeting which will be circulated to members of the Committee and, once agreed, to all other directors, unless a conflict of interest arises.

## **5. Reporting Responsibilities**

- 5.1 The Chair of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever

recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 5.2 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

## **6. Authority**

- 6.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

- 6.2 The Committee is authorised by the Board if the Committee considers it necessary:

6.2.1 to obtain internal advice and outside legal or other independent professional advice (for detail please refer to the policy);

6.2.2 to secure the attendance of outsiders with relevant experience and expertise; and

6.2.3 to incur reasonable fees and expenses, which will be paid by the Company.

- 6.3 In order to provide safeguards to auditor independence (particularly the self-interest threat) in the provision of non-audit services the following procedures will be followed:

- a) The Chief Financial Officer with the approval of the Chair of the Audit Committee is authorised to engage the external auditor to perform audit-related services up to an annual aggregate fee of £20,000.
- b) The Audit Committee is authorised to engage the external auditor to perform non-audit services up to an annual aggregate fee of £20,000.

Any audit-related or non-audit services above these limits require prior approval from the Board.

## **7. Other**

- 7.1 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.

- 7.2 The Committee shall 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;

- 7.3 The Committee shall arrange for periodic reviews of its own performance and regularly review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

**Approved by the Board: 23 June 2020**