

## Audit Committee

### Terms of Reference

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*Reference to “the Committee” shall mean the Audit Committee.*

*Reference to “the Company” shall mean Gresham Technologies plc and, where applicable, its subsidiaries*

*Reference to “the Board” shall mean the Board of Directors.*

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#### 1. Constitution

- 1.1. The Committee shall be constituted as a sub-committee of the Board. 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.
- 1.2. Members of the Committee, including the Committee Chairman, shall be appointed and removed by the Board as a whole. The Committee shall be made up of at least two independent non-executive directors, including the Chairman. If at any time there are not two independent non-executive directors on the Board, the Committee shall include as many independent non-executive directors as are on the Board. The Chairman of the Board shall not be Chairman of the Committee.
- 1.3. The quorum necessary for the transaction of business at a meeting of the Committee shall be two.

#### 2. Duties

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

##### Financial Reporting

- 2.1. The Committee shall monitor the integrity of the financial statements of the Company and any other formal announcements relating to its financial performance, and shall review significant financial reporting judgments which they may contain.
- 2.2. In particular, the Committee shall review and, where necessary, challenge:
  - 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 group;
  - 2.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
  - 2.2.3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 2.2.4. the clarity of disclosure in the Company’s financial reports and the context in which

statements are made; and

- 2.2.5. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to audit and risk management.
- 2.3. 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

- 2.4. 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

- 2.5. The Committee shall review the Company's internal financial controls and, unless performed by the Board as a whole, the Company's internal control and risk management systems.

#### Whistleblowing

- 2.6. The Committee shall review the Company's arrangements for its staff to raise concerns, in confidence, about possible wrongdoing or improprieties in financial reporting or other matters. The Committee shall ensure that these arrangements allow for the proportionate and independent investigation of such matters and for appropriate follow up action.

#### Internal Audit

- 2.7. The Committee shall at least annually review the need (or otherwise) for a separate internal audit function, in the context of the Company's overall risk management system, and shall make a recommendation to the Board accordingly. Where it concludes that there is no need for a separate internal audit function, the reasons for the absence of such a function should be explained in the relevant section of the Company's annual report.

#### External Audit

- 2.8. The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the relevant 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 new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 2.9. The Committee shall oversee the relationship with the external auditor including (but not limited to):
  - 2.9.1. approval of their remuneration (whether fees for audit or non-audit services) and being satisfied that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 2.9.2. approval of their terms of engagement, including any engagement letter issued at

- the start of each audit and the scope of the audit;
- 2.9.3. assessing annually their independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 2.9.4. monitoring 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;
  - 2.9.5. assessing 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;
  - 2.9.6. 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 have the option to meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 2.10. The Committee shall also:
- 2.10.1. review the effectiveness of the audit;
  - 2.10.2. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - 2.10.3. review the findings of the audit with the external auditor including without limit a discussion of major issues that may have arisen during the audit, any accounting and audit judgments and the level of errors identified during the audit.
  - 2.10.4. review any representation letter(s) requested by the external auditor before they are signed by management; and
  - 2.10.5. review the management letter and management's response to the auditor's findings and recommendations.

#### Other Duties and Authorities

- 2.11. The Committee shall in the performance of its duties give due consideration to all applicable laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules.
- 2.12. The Committee is authorised by the Board to seek any information it requires from any employee of the Company in order to perform its duties, and to obtain any outside legal or other independent professional advice as it may reasonably require at the cost of the Company for the proper discharge of its duties.

### **3. Meetings and Procedure**

- 3.1. The Committee shall meet at least twice annually at appropriate times in the audit cycle, and at such other times as the Chairman of the Committee or the Board shall require. Meetings may be held in person, or, provided all members are able to hear and speak to each other

throughout the meeting, by telephone or video conference.

- 3.2. Committee meetings shall be called on no less than 5 working days' notice, or at shorter notice if all the members of the Committee agree. Any Committee papers that are to be discussed at a meeting shall be circulated to the Committee members as far in advance of the meeting as reasonably practicable. Committee meetings may be called by any member of the Committee or by the Board.
- 3.3. Only Committee members are entitled to attend Committee meetings. However, the Committee is authorised to invite non-members, including without limit the Chief Executive Officer, Chief Finance Officer, and external advisers, to attend for all or part of any meeting where the Committee Chairman considers it necessary or appropriate to do so. In particular, the Company's external auditors will be invited to attend the Committee meetings at which the audit plan is presented and the audit findings are presented.
- 3.4. The Committee shall cause minutes to be drawn up recording any decisions taken in Committee meetings, any other material matters discussed. The minutes shall also record the members present. Committee minutes shall be filed with the Company Secretary who shall act as secretary for the Committee.
- 3.5. The Committee Chairman shall ensure that at least one member of the Committee shall attend each annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities and responsibilities.
- 3.6. The Board shall review these terms of reference at least annually and, in consultation with the Committee, shall approve such changes as it considers necessary.

*These terms of reference were last reviewed and approved by the Board on 1 March 2017.*