

GRESHAM TECHNOLOGIES PLC

Audit Committee

Terms of Reference

(as adopted by the board of directors of the Company on 7 March 2019)

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.

1. Membership

- 1.1. Membership of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the chair of the Committee. The Committee shall be made up of at least 2 members.
- 1.2. All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience, be competent in accounting and/or auditing and shall, preferably, hold a professional qualification from one of the professional accountancy bodies.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend all or part of any meeting as and when appropriate in the opinion of the chair of the Committee or the majority of its members.
- 1.4. The chief financial officer and external audit lead partner will be invited to attend meetings of the Committee on a regular basis. The Committee may also invite other attendees, including the chief executive officer, as it the Committee chairman sees fit.
- 1.5. Appointments to the Committee shall be for a period of up to 3 years (subject to the election and re-election provisions in the Company's constitution and in the UK Corporate Governance Code), which may be extended by two further periods of up to 3 years each (subject to the other terms in this document).
- 1.6. The Board shall appoint the chair of the Committee. In the absence of the chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The chairman of the Board shall not be chairman of the Committee.

2. Secretary

- 2.1. The company secretary, or any other person selected for the task by the Committee, shall act as the secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be 2 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.

4. Frequency of meetings

- 4.1. The Committee shall meet at least 2 times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2. Outside of the formal meeting programme, the chair of the Committee, and to a lesser extent the other committee members, shall maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Board, chief executive, chief financial officer and external audit lead partner.

5. Notice of meetings

- 5.1. Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner if such person considers it necessary.
- 5.2. Unless otherwise agreed by the Committee, 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 as appropriate and agreed, no later than 5 working days before the date of the meeting.
- 5.3. The secretary shall ensure that each member of the Committee (and any other attendee as appropriate) receives information and papers in a timely manner to enable proper consideration to be given to issues. Such information and papers can be sent in electronic form if the recipient has agreed to that method of communication.

6. Minutes of meetings

- 6.1. The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board, other than where, in the opinion of the chair of the Committee, it would be inappropriate to do so.

7. Annual General Meeting

- 7.1. The chair of the Committee should attend the annual general meeting to answer shareholder questions as appropriate.

8. Duties

General

- 8.1. The Committee should carry out the duties detailed below for the Company, major subsidiary undertakings and the group as a whole unless required otherwise by regulation, as appropriate. In carrying out these duties, the members of the Committee must comply with their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of

its members as a whole, whilst having regard to the interests of employees, stakeholders and other matters as required by section 172.

Financial Reporting

- 8.2. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the external auditor.
- 8.3. The Committee shall review and challenge where necessary:
- 8.3.1. the application of significant accounting policies and changes to them;
 - 8.3.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.3.3. whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
 - 8.3.4. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
 - 8.3.5. 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 risk management).
- 8.4. The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the UK Listing Authority's Listing Rules or Disclosure Guidance and Transparency Rules sourcebook and the EU Market Abuse Regulation.
- 8.5. The Committee shall report its views to the Board if it is not satisfied with any aspect of the proposed financial reporting by the Company.
- 8.6. The Committee shall, if requested by the Board, 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, so as to inform the Board's statement in the annual report on these matters as required by the UK Corporate Governance Code, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Internal Controls

- 8.7. 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.

Speak-up (Whistleblowing)

- 8.8. The Committee shall:

- 8.8.1. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- 8.8.2. ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.8.3. review the Company's procedures for detecting fraud.

Internal Audit

- 8.9. 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

- 8.10. The Committee shall:
 - 8.10.1. 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;
 - 8.10.2. oversee the selection process for a new auditor and, if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
 - 8.10.3. ensure that the external audit services contract is put out to tender in accordance with applicable regulatory and legislative requirements, to enable the Audit 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 selection process and ensure that all tendering firms have the necessary access to information and individuals throughout the tendering process;
 - 8.10.4. oversee the relationship with the external auditor including (but not limited to):
 - 8.10.4.1. approval of the external auditor's remuneration, including both fees for audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 8.10.4.2. approval of the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.10.4.3. assessing annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;

- 8.10.4.4. satisfying 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;
- 8.10.4.5. agreeing 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 monitoring the implementation of this policy;
- 8.10.4.6. monitoring the auditor's processes for maintaining its independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 8.10.4.7. monitoring 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 assessing these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 8.10.4.8. assessing annually the external auditor's independence, qualifications, expertise and resources and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 8.10.4.9. seeking to ensure co-ordination of the external audit with the activities of the internal audit function; and
- 8.10.4.10. evaluating the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee;
- 8.10.5. 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, without management being present, to discuss the external auditor's remit and any issues arising from the audit;
- 8.10.6. discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 8.10.7. review the findings of the audit with the external auditor. This shall include but not be limited to:
 - 8.10.7.1. a discussion of any major issues which arose during the audit;
 - 8.10.7.2. the external auditor's explanation of how the risks to audit quality were addressed;
 - 8.10.7.3. key accounting and audit judgements;

- 8.10.7.4. the external auditor's view of their interactions with senior management; and
- 8.10.7.5. levels of errors identified during the audit;
- 8.10.8. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.10.9. review the management letter and management's response to the auditor's findings and recommendations;
- 8.10.10. review the effectiveness of the external audit process, including an assessment of the quality of the audit, the handling of key judgements by the external auditor, and the auditor's response to questions from the Committee; and
- 8.10.11. develop and implement policy on the supply of non-audit services by the external auditor, including the approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved and an assessment of whether non-audit services have a direct or material effect on the audited financial statements. This policy should include consideration of:
 - 8.10.11.1. any threats to the independence and objectivity of the external auditor, taking into account the Ethical Standard, legal and regulatory requirements and any safeguards in place;
 - 8.10.11.2. the nature of any non-audit services;
 - 8.10.11.3. whether the external audit firm is the most suitable supplier of the non-audit services;
 - 8.10.11.4. the level of fees to be incurred for non-audit services, both individually and in aggregate, relative to the level of audit fee; and
 - 8.10.11.5. the criteria governing compensation.

Reporting responsibilities

- 8.11. 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, including how it has discharged its responsibilities.
- 8.12. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.13. The Committee shall produce a report to be included in the Company's annual report and accounts, describing the Committee's work and how it has discharged its responsibilities. Such report shall include:
 - 8.13.1. a summary of the role of the Committee;
 - 8.13.2. the names and qualifications of all Committee members during the period;
 - 8.13.3. the number of Committee meetings;

- 8.13.4. the significant issues that the Committee has considered in relation to the financial statements and how those issues were addressed, having regard to matters communicated to it by the external auditor. The Committee will need to exercise judgement in deciding which of the issues it considers are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement;
- 8.13.5. an explanation of how the Committee has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm, when a tender was last conducted, advance notice of any retendering plans (as required or appropriate) and any contractual obligations that have acted to restrict the Committee's choice of external auditor;
- 8.13.6. where the Board does not accept the Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position (which should also be supplied in any papers recommending appointment or reappointment);
- 8.13.7. if the external auditor provides non-audit services, the Committee's policy for approval of non-audit services, details of how auditor objectivity and independence is safeguarded, details of the fees paid to the external auditor for audit and non-audit services and the ratio of audit to non-audit work, and an explanation of the non-audit services provided and why the Committee concluded that it was in the interests of the Company to purchase them from the external auditor; and
- 8.13.8. any other issues on which the Board has requested the Committee's opinion.

9. Other

9.1. The Committee shall:

- 9.1.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 9.1.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 9.1.3. give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code and associated guidance, the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- 9.1.4. be responsible for co-ordination of the external auditor;
- 9.1.5. oversee any investigation of activities which are within its terms of reference;
- 9.1.6. work and liaise with as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being

delegated to different committees; and

- 9.1.7. arrange for periodic reviews of its own performance and, at least annually, 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.

10. Authority

10.1. The Committee is authorised to:

- 10.1.1. seek any information it requires from any employee of the Company in order to perform its duties;
- 10.1.2. obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 10.1.3. call any employee to be questioned at a meeting of the Committee as and when required; and
- 10.1.4. have the right to publish in the Company's annual report details of any issues that cannot be resolved between it and the Board.