



**Volution Group plc**

**(the "Company")**

**AUDIT COMMITTEE TERMS OF REFERENCE**

**1. Membership**

- 1.1 The audit committee (the "**Committee**") shall be made up of at least three members. Members of the Committee shall be appointed by the board of directors (the "**Board**"), on the recommendation of the nomination committee, in consultation with the chairman of the Committee (the "**Chairman**").
- 1.2 In order to comply with the UK Corporate Governance Code (the "**Code**"), all members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience with competence in accounting and/or auditing and have a professional qualification from one of the professional accountancy bodies. The chairman of the Board shall not be a member of the Committee but may attend meetings of the Committee. If the Board decides that a member of the Committee is no longer independent, the Board will determine whether or not that member will cease to be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings, but the Committee may invite others to attend all or part of the meeting if it thinks it is appropriate or necessary.
- 1.4 The external auditor, the internal auditor and the chief financial officer will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, so long as members continue to be independent.
- 1.6 The Board shall appoint the Chairman who shall be an independent non-executive director. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting, who would qualify under these terms of reference to be appointed to that position by the Board.

**2. Secretary**

- 2.1 The company secretary or their nominee shall act as the secretary of the Committee (the "**Secretary**") and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two members.
- 3.2 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.
- 3.3 The members of the Committee may meet for the dispatch of business, adjourn and otherwise regulate meetings as they think fit. Without prejudice to the foregoing, all or any of the members of the Committee may participate in a meeting of the Committee by means of a telephone conference or any communication equipment which allows all persons participating in the meeting to hear each other. A member of the Committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

### **4. Frequency of meetings**

- 4.1 The Committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle and otherwise as required. Additional meetings may be called by the Chairman.
- 4.2 Outside of the formal meeting programme, the Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board, the chief executive officer, the chief financial officer, the external audit lead partner and the internal auditor.

### **5. Notice of meetings**

- 5.1 Meetings of the Committee shall be called by the Secretary at the request of any of the Committee's members, or at the request of the external or internal auditors if they consider it necessary.
- 5.2 Unless otherwise agreed by the majority of the Committee, notice of each meeting confirming the venue, time and date (including dial-in details if required) together with an agenda of items to be discussed, shall be communicated to each member of the Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall, wherever practicable, be sent to Committee members and to other attendees as appropriate, at the same time.
- 5.3 Shorter notice and late submission or circulation of papers will be permitted at the discretion of the Chairman.
- 5.4 Papers may be circulated electronically or in hard copy as circumstances permit.

### **6. Minutes of meetings**

- 6.1 The Secretary shall minute the proceedings and resolutions 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 unless it would be inappropriate to do so in the opinion of the Chairman.

## 7. **Annual General Meeting**

The Chairman shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

## 8. **Duties**

The Committee shall carry out the duties below for the Company and its subsidiaries (the "**Group**") as a whole, as appropriate.

### 8.1 **Financial reporting**

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcement 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 any matters communicated to it by the auditor.
- (b) The Committee shall review, and challenge where necessary:
  - (i) the consistency of, and any changes to, accounting policies on a year on year basis, across both the Company and the Group;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (iv) any going concern assumptions;
  - (v) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
  - (vi) all material information presented with the financial statements, such as the strategic report and the corporate governance statements (insofar as it relates to the audit and risk management).
- (c) The Committee shall, where 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 and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

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

The Committee shall:

- (a) keep under review the adequacy and effectiveness of the Group's internal financial controls and risk management systems;
- (b) review the Group's processes and procedures for ensuring that material business risks are properly identified and managed and that appropriate systems of monitoring and control are in place;

- (c) review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement; and
- (d) in particular, review:
  - (i) the policies and overall process for identifying and assessing business risks and managing their impact on the Company;
  - (ii) regular assurance reports from management, external auditors and others on matters related to risk, internal audit and control; and
  - (iii) the timeliness of, and reports on, the effectiveness of corrective action taken by management.
- (e) advise the Board on the Company's overall risk appetite, tolerance and strategy;
- (f) oversee and advise the Board on the current risk exposures of the Company and the Group and future risk strategy;
- (g) at the request of the Board, review proposed strategic transactions, including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company and the Group, and taking independent external advice where appropriate and available;
- (h) provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration; and
- (i) consider and approve the remit of the risk management function, 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 and ensure it has adequate independence and is free from management and other restrictions.

### 8.3 ***Compliance, whistleblowing and fraud***

The Committee shall:

- (a) 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. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Company's systems and controls for the prevention of bribery, its code of corporate conduct/business ethics and its policies for ensuring that the Company complies with relevant regulatory and legal requirements, receive reports on non-compliance and consider appropriate action;
- (c) review the Company's procedures for detecting fraud; and
- (d) receive regular reports on significant litigation and compliance issues involving the Group.

#### 8.4 **Internal audit**

The Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the internal auditor;
- (c) consider and approve the remit of the internal audit function 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 for internal auditors. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;
- (e) review reports on the Group from the internal auditors;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (g) meet the internal audit partner at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.

In addition, the internal auditor shall be given the right of direct access to the chairman of the Board and to the Committee.

If at any time the Company does not have an internal audit function, the Committee should consider annually whether there should be one and make a recommendation to the Board accordingly. The absence of such a function should be explained in the annual report.

#### 8.5 **External Audit**

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- (b) oversee the selection process for new external auditors and, if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (c) oversee the relationship with the external auditor, including, but not limited to:
  - (i) the approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (ii) recommendation as to their remuneration, including consideration at least annually of both fees for audit and non-audit services, ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- (iii) assessing annually their independence and objectivity taking into account relevant legal, professional and regulatory requirements, and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (iv) satisfying 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);
  - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor, taking account of relevant ethical standards, then monitoring the implementation of this policy;
  - (vi) 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;
  - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, which must include a report from the external auditor on their own internal quality control procedures;
  - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
  - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process, including the risk of the withdrawal of the Company's auditor from the market as part of an evaluation of the risks to the quality and effectiveness of the financial reporting process;
- (d) 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 provide the external auditor with the opportunity to meet the Committee at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the interim review and year end audits;
- (e) 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;
- (f) review the findings of the audit with the external auditor and any matters which the external auditor or the Board may wish to discuss, including, but not be limited to:
- (i) a discussion of any major issues which arose during the audit and the effectiveness of the audit;
  - (ii) any accounting and audit judgements;
  - (iii) levels of errors identified during the audit;
  - (iv) the effectiveness of the audit process;
  - (v) the basis for the going concern assumption; and

- (vi) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements;
- (g) discuss any difficulties, reservations or other matters arising from the external audit (in the absence of management where necessary);
- (h) review any representation letter(s) requested by the external auditor before they are signed by management;
- (i) review the management letter and management's response to the auditor's findings and recommendations;
- (j) consider communications from the external auditor on statutory and regulatory audit planning and findings and on material weaknesses in accounting and internal control systems that come to the auditor's attention;
- (k) develop and implement a policy on the supply of non-audit services by the external auditor, to avoid any threat to auditor's objectivity and independence, taking into account any relevant ethical guidance on the matter, and report to the Board, identifying any matters on which it considers action or improvement is needed and recommending what steps should be taken;
- (l) review annually the effectiveness of the external auditor; and
- (m) 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 external auditor with those of other audit firms and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process.

## **9. Reporting responsibilities**

- 9.1 The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
- (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - (c) any other issues on which the Board has requested the Committee's opinion.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed; the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current external auditor and when a tender was last conducted and if the external auditor provides non- audit services, how the auditor's objectivity and independence are safeguarded.

9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

## **10. Other matters**

The Committee shall:

10.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat and any employees of the Group for assistance as required;

10.2 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;

10.3 give due consideration to laws and regulations, the provisions of the Code, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules, and any other applicable rules, as appropriate, and give due consideration to the recommendations and requirements of any body which regulates the activities of the Group;

10.4 be responsible for co-ordination of the external auditors and any internal audit function;

10.5 oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort;

10.6 work and liaise as necessary with all other committees of the Board; and

10.7 at least once a year, 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.

## **11. Authority**

The Committee is authorised to:

11.1 undertake any activity within its terms of reference;

11.2 seek any information it requires from any employee of the Group in order to perform its duties;

11.3 obtain outside legal or other professional advice on any matter within its terms of reference where it believes it is necessary to do so, and to invite persons giving such advice to attend Committee meetings. The cost of obtaining any advice shall be paid by the Company within the limits as authorised by the directors of the Company from time to time;

11.4 call any Group employee or contractor to be questioned at a meeting of the Committee as and when required;



11.5 publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board; and

11.6 delegate any of its powers to one or more of its members or the Company Secretary.

**12. Approval**

12.1 These terms of reference were approved by the Board on 26 July 2019, effective from 1 August 2019.