

**EMIS GROUP PLC**

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**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

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**EMIS GROUP PLC**  
**(the “Company”)**

**Audit Committee: Terms of Reference**

The audit committee (the “**Audit Committee**”) was established as a board committee by the resolution of the board of directors of the Company (the “**Board**”) passed on 1 March 2010 in order to establish formal and transparent arrangements for considering how the Board should apply the financial reporting and internal control principles of the Company and to maintain an appropriate relationship with the Company’s auditor.

**1. MEMBERSHIP AND QUORUM**

- 1.1 The members of the Audit Committee shall be appointed by the Board, on the recommendation of the nomination committee. Membership of the Audit Committee shall be confined to independent non-executive directors. The chair of the Board should not be a member of the Audit Committee.
- 1.2 The Audit Committee shall have at least two members. The members, at least one of whom shall have recent and relevant financial experience, shall be independent non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- 1.3 The Audit Committee’s chair (the “**Chair**”), who shall be an independent non-executive director, shall be appointed by the Board on the recommendation of the nomination committee. The Board shall determine how long the Chair shall hold office. In the absence of the committee chair, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 Appointments to the Audit Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
- 1.5 If a member is unable to act for any reason, the Chair may appoint another non-executive director as an additional member, provided always that the majority of members of the Audit Committee shall be independent.
- 1.6 The quorum necessary for the transaction of business shall be two members.

## 2. **SECRETARY**

- 2.1 The secretary of the Audit Committee shall be the Company Secretary or such other person as the Audit Committee may appoint.
- 2.2 The secretary will ensure that the Audit Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## 3. **ATTENDANCE AT MEETINGS**

- 3.1 The Audit Committee may invite any person it thinks appropriate to join the members of the Audit Committee for all or part of any meeting as and when necessary.
- 3.2 The chief financial officer, head of group internal audit and a representative of the external auditor's shall normally attend meetings of the Audit Committee.
- 3.3 At least once a year, the Audit Committee shall meet with the external auditor without the chief financial officer or any other executive director present except at the invitation of the Audit Committee.
- 3.4 The Chair shall attend the Company's annual general meeting, prepared to respond to any shareholder questions on the Audit Committee and its activities and responsibilities.

## 4. **FREQUENCY OF MEETINGS**

- 4.1 At least four meetings shall be held each year at appropriate intervals in the financial reporting and audit cycle. These meetings shall be convened by the secretary of the Audit Committee, at the request of the Chair.
- 4.2 Additionally, any of the chair of the Company, the chief financial officer and the audit lead partner may ask the secretary of the Audit Committee to convene a meeting if s/he or they consider that such a meeting is necessary or appropriate.
- 4.3 At least 7 days' notice of any meeting of the Audit Committee shall be given, although such notice period may be waived or shortened with the written consent of all the members of the Audit Committee for the time being. Notice of the meeting shall confirm the venue, time and date, together with an agenda of items to be discussed. Notice shall be sent to each member of the Audit Committee, any other person required to attend and all other non-executive directors. Supporting papers shall be sent to Audit Committee members and to other attendees, as appropriate, at the same time.

- 4.4 Outside the formal meeting programme, the Audit Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board chair, the chief executive, the chief financial officer, head of group internal audit and the external audit lead partner.

## 5. **VOTING ARRANGEMENTS**

- 5.1 Each member of the Audit Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Audit Committee.
- 5.2 If a matter that is considered by the Audit Committee is one where a member of the Audit Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 5.3 Save where s/he has a personal interest, the Chair will have a casting vote.
- 5.4 All decisions of the Audit Committee shall be formally reported to the Board by the Chair. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and shall compile a report on its activities to be included in the Company's annual report.

## 6. **AUTHORITY**

The Audit Committee is authorised by the Board:

- 6.1 to investigate any activity within its terms of reference;
- 6.2 to obtain any information it requires from any employee of the Company, in order to perform its duties;
- 6.3 to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference; and
- 6.4 to call any employee to be questioned or instruct external professional advisers to attend, at the Company's expense, any meeting of the Audit Committee, if it considers this necessary or appropriate.

## 7. **FUNCTION AND DUTIES**

- 7.1 The Audit Committee should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

## 7.2 **Financial reporting**

- 7.2.1 To monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results' announcements and any other formal announcements relating to the Company's financial performance, reviewing and reporting to the Board on significant financial reporting judgements which they may contain having regard to the matters communicated to it by the auditor.
- 7.2.2 To review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price-sensitive nature.
- 7.2.3 To review and challenge, where necessary:
  - 7.2.3.1 the consistency of, and any changes to, accounting policies, both on a year-on-year basis and across the Company/Group;
  - 7.2.3.2 the methods used to account for significant or unusual transactions, where different approaches are possible;
  - 7.2.3.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 7.2.3.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
  - 7.2.3.5 all material information presented with the financial statements, such as the strategic review and the corporate governance statement (insofar as it relates to the audit and risk management).
- 7.2.4 To report to the Board if the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the company.

## 7.3 **Narrative reporting**

- 7.3.1 Where requested by the Board, the Audit 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.

#### **7.4 Internal controls and risk managements systems**

7.4.1 Unless expressly addressed by the Board itself, to review the effectiveness of the Company's internal controls and risk management systems and review and approve the statements to be included in the Company's annual report concerning internal controls and risk management.

#### **7.5 Compliance, whistleblowing and fraud**

7.5.1 To review the adequacy of the Company's arrangements for its employees to raise concerns in confidence about possible wrong doing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

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

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

#### **7.6 Internal audit**

7.6.1 To monitor the requirements for and, if it is in place, review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

7.6.2 To approve the appointment and removal of the head of the internal audit function.

7.6.3 To 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. The Audit Committee shall also ensure the function has adequate standing and is free from management and other restrictions.

7.6.4 To review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out.

7.6.5 To review promptly all reports on the Company from the internal auditors.

7.6.6 To review and monitor management's responsiveness to the findings and recommendations of the internal auditor.

7.6.7 The Audit Committee Chair to meet with the head of group internal audit 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 head of the internal audit function shall be given the right of direct access to the Chair of the Board and to the Audit Committee.

## 7.7 External audit

7.7.1 To consider and make recommendations to the Board, for it to put to the shareholders for their approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Audit Committee shall oversee the selection process for new auditor and, if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required.

7.7.2 To oversee the relationship with the Company's external auditor, including (but not limited to):

7.7.2.1 approval of their remuneration, whether in respect of audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;

7.7.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

7.7.2.3 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;

7.7.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

7.7.2.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;



- 7.7.2.6 monitoring the auditor's compliance with the 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;
  - 7.7.2.7 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; and
  - 7.7.2.8 if relevant, seeking to ensure co-ordination with the activities of the internal audit function.
- 7.7.3 Develop and recommend to the Board the company's policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Audit Committee 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.
- 7.7.4 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. The Audit Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 7.7.5 To 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.
- 7.7.6 To review the findings of the audit with the external auditor. This shall include, but not be limited to:
  - 7.7.6.1 a discussion of any major issues which arose during the audit;
  - 7.7.6.2 any accounting and audit judgements;
  - 7.7.6.3 levels of errors identified during the audit; and
  - 7.7.6.4 the effectiveness of the audit.

- 7.7.7 The Audit Committee shall also:
- 7.7.7.1 review any representation letter(s) requested by the external auditor before they are signed by management;
  - 7.7.7.2 review the management letter and management's response to the auditor's findings and recommendations; and
  - 7.7.7.3 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 Audit Committee.

**7.8 Reporting responsibilities**

- 7.8.1 To meet the Board formally at least once each year to discuss matters, such as the annual report and the relationship with the external auditor.
- 7.8.2 To report to the Board on its proceedings after each meeting as to how it discharged its responsibilities, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
- 7.8.3 To compile a report to shareholders on its activities to be included in the Company's annual report. The report should include an explanation of how the Audit Committee addressed the effectiveness of the external audit process; the significant issues that the Audit Committee considered in relation to the financial statement and how these issues were addressed.
- 7.8.4 In compiling the report referred to in 7.7.3 above the Audit Committee should exercise judgement in deciding which of the issues 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

**7.9 Other**

- 7.9.1 To consider such other topics, as may be requested the Board.
- 7.9.2 To receive appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all

members, and have access to sufficient resources in order to carry out its duties.

- 7.9.3 To give due consideration to laws and regulations, including the provisions of the UK Corporate Governance Code and the requirements of the AIM Rules for Companies, the Prospectus Rules and Disclosure Guidance and Transparency Rules, as appropriate.
- 7.9.4 To be responsible for co-ordination of the internal and external auditors, if relevant.
- 7.9.5 To oversee any investigation of activities which are within its terms of reference and act, for internal purposes, as a court of last resort.
- 7.9.6 To conduct an annual review of the Audit Committee's own work, constitution, performance and these terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## 8. **MINUTES**

- 8.1 The secretary shall minute the proceedings and decisions of all meetings of the Audit Committee, including recording the names of those present and in attendance and shall circulate the minutes of each meeting, once agreed, to all members of the Board (unless a conflict of interest exists) and to the external auditor.

## 9. **OTHER**

- 9.1 To the extent that there are insufficient independent non-executive directors to satisfy the requirements of these terms of reference, the Board shall appoint any one or more of the other executive or non-executive directors of the Board to sit on the Audit Committee until such time as an independent non-executive director is appointed to the Board.

Reviewed and approved by the Board 16 June 2020