

**ZOTEF OAMS plc**  
**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

The Board has established a Committee of the Board known as the Audit Committee. The Terms of Reference of the Committee (ToR) are reviewed annually.

### **1. Membership**

The Audit Committee will comprise the independent non-executive directors of the Company.

At least one member of the Committee (normally the Committee Chair) shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The Committee shall, as a whole, have competence relevant to the sector in which the Company operates.

Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.

The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Group Chair shall not be Chair of the Committee.

The Committee shall appoint a Secretary of the Committee. The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

### **2. Attendance at Meetings and Quorum**

At the request of the Chair other directors and senior managers may attend Committee meetings or selected agenda items thereof. The Group CFO, the Group CEO and a senior representative of the external auditor and/or internal auditor will usually be invited to attend such meetings.

The quorum for a meeting of the Committee shall be two members.

### **3. Frequency of Meetings and Notice**

The Committee shall meet at least three times a year with additional meetings if required.

Notice of a meeting of the Committee shall be at least five working days, unless all members agree to a shorter notice period.

Outside of the formal meeting programme, the Chair will maintain dialogue with key individuals involved in the Company's governance, including the Group Chair, the Group CEO, the Group CFO, the external audit partner and head of internal auditor (or the relevant manager or partner of the provider for the internal audit function).

### **4. Authority**

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 from the Committee. The Committee is authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **5. Resources**

The Committee shall be provided with sufficient resources to undertake its duties, including access to the services of the Company Secretariat.

## **6. Induction and Training**

The Committee shall provide an induction programme for new members, which covers the role of the Committee, including its terms of reference and expected time commitment by members.

The members of the Committee shall ensure that they receive ongoing and appropriate training to aid their understanding of the principles of and developments in corporate reporting and regulation and other relevant matters.

## **7. Terms of Reference**

The committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

The Committee's responsibilities are:

### Financial Reporting

1. to monitor significant financial reporting issues and judgements, and the clarity and completeness of disclosures made in connection with the preparation of the Group and Company's financial statements, assumptions for the going concern and viability statements, interim reports, preliminary announcements and related formal statements including any matters which the external auditor may wish to raise (in the absence of management where necessary), including:
  - a. consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Group,
  - b. the methods used to account for significant or unusual transactions where different approaches are possible,
  - c. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor,
  - d. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made,
  - e. 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),
2. In particular, to review and challenge where necessary:
  - a. the application of significant accounting policies and any changes to them,
  - b. the methods used to account for significant or unusual transactions where different approaches are possible,

c. whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements,

d. the clarity and completeness of disclosures in the financial statements and the context in which statements are made

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

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 Group's performance, business model and strategy, and whether it informs the Board's statement in the annual report on these matters that is required under the Code.

#### Internal Controls and Risk Management Systems

5. to review on behalf of the Board the integrity of the Group's internal financial controls and, assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks and make recommendations to the Board,

6. to keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems,

7. to review and approve the statements to be included in the annual report and half-yearly reports, preliminary announcements and any other formal statements concerning internal controls and risk management,

#### Fraud

8. to review the adequacy and security of the Group's arrangements for its employees, contractors and external parties 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,

9. to review the Group's procedures for detecting fraud,

#### Anti-Bribery

10. to review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance,

#### Internal Audit

11. to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system,

12. to approve the appointment and removal of the head of or external provider of the internal audit function,

13. to consider and approve the remit of the internal audit function and ensure that 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 Committee shall ensure the function has adequate standing and is free from management or other restrictions,

14. to review and assess the annual internal audit plan,
15. to review reports from the internal auditor,
16. to review and monitor management's responsiveness to the findings and recommendations of the internal auditor,
17. to arrange for the Chair to discuss with the internal auditor at least once a year, their remit and any issues arising from the internal audits undertaken and report back to the Committee. The internal auditor shall also be given the right of direct access to the Group Chair and to the Committee,

#### External Auditor

18. to consider and make recommendations to the Board, to be put to the shareholders for approval in General Meeting, in relation to the appointment, re-appointment and removal of the external auditor,
19. to develop and oversee the selection procedure for the appointment of the external auditor in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process
20. to ensure that at least once every ten years the audit services contract is put 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,
21. to ensure that the engagement partner of the external auditor is rotated every five years, although a further two years may be permitted provided this is disclosed and explained to the shareholders as soon as practicable,
22. to investigate any issues resulting in the resignation of the external auditor,
23. to approve the external auditor's remuneration, including both fees for audit and non-audit services and, that the level of fees is appropriate to enable an effective and high-quality audit to be conducted,
24. to review and approve the terms of engagement, including any engagement letter issued at the start of each audit and the scope of any audit before it begins,
25. 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 external audit team,
26. to assess annually the qualification, skills and resources, effectiveness, objectivity and independence of the external auditor, taking into account relevant law, regulation, the Ethical Standard 58 and other professional requirements and the Group's 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 in line with the non-audit services policy adopted by the Audit Committee,

27. to monitor the external auditor's compliance with the Financial Reporting Council's Ethical Standard and the level of fees that the Company pays in proportion to the overall fee income of the external auditor,
28. to assess annually the procedures in place to ensure the external auditor's independence, including ensuring there are no relationships (such as family, employment, investment, financial or business) that could cause conflict,
29. to consider all relationships between the Company and the audit firm in order to ensure those relationships do not impair the auditor's independence and objectivity ,
30. to develop and implement a policy in relation to the provision of non-audit services by the external auditor and the approval by the Committee of such services, in order to avoid any threat to the external auditor's objectivity and independence and the impact that such services could have on the audited financial statements, which takes into account any relevant ethical guidance on the matter,
31. to review the findings of the audit with the external auditor, including (but not limited to):
  - a. a discussion of any major issues which arose during the audit;
  - b. key accounting and audit judgments;
  - c. levels of errors identified during the audit; and
  - d. the effectiveness of the audit process,
32. to review any representation letter requested by the external auditor before management signs it,
33. to review the management letter and management's responses to the external auditor's findings and recommendations,
34. 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 Committee shall meet the external auditor at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the audit,
35. to monitor the external auditor's compliance with relevant ethical and professional guidance on the rotation of the external audit partner and fees paid by the Company,
36. to ensure co-ordination with the activities of the internal audit function,
37. to evaluate any risks to the quality and effectiveness of the financial reporting process and consider whether to include the risk of withdrawal by the external auditor from the market in that evaluation,

#### Climate change

38. to ensure that the annual report includes disclosures in line with the Financial Conduct Authority (FCA) listing rule LR 9.8.6 R(8) which implements the recommendations of the Task Force on Climate-related Financial Disclosures.

#### Other matters

39. to consider the major findings of internal investigations and management's response,
40. to consider other matters as requested by the Board.

The Committee shall annually review its own performance and effectiveness and recommend to the Board any necessary actions or improvements.

## **8. Other matters**

The Committee shall give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.

## **9. Reporting**

Minutes of meetings of the Committee shall be circulated to all members of the Board unless, exceptionally, it would be inappropriate to do so.

The Committee Chair 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 should 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.

The Committee shall compile a report on its activities to be included in the annual report, including:

- an explanation of how the Committee assessed the effectiveness of the external and internal audit processes;
- where non-audit services have been provided, an explanation on how the external auditor's objectivity and independence have been safeguarded;
- the approach taken on appointment or re-appointment of the external auditor;
- information on length of tenure of the current external auditor, when the external audit was last tendered and any plans to put the external audit to tender; and
- the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor and all other information requirements set out in the UK Corporate Governance Code.

Where the Company's external audit has been reviewed by the Financial Reporting Council's Audit Quality Review team, the Committee shall discuss the findings with its external auditor and consider whether any of those findings are significant and, if so, disclose such findings and the actions it and the external auditor plan to take.

When making such reports to the Board and in the annual report, the Committee should exercise judgment 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. The report to the shareholders need not repeat information disclosed elsewhere in the annual report, but could provide cross-reference to that information.

The Audit Committee Chair, or in exceptional circumstances another member of the Committee (appointed by the Committee) when this is not possible, shall attend the AGM and shall answer questions, through the Group Chair, on the Audit Committee's activities and responsibilities. In addition the Audit Committee Chair should seek engagement with

shareholders on significant matters related to the Committee's areas of responsibility, where it is relevant and appropriate to do so.

If there are any disagreements between the Audit Committee and the Board which cannot be resolved the Audit Committee shall report the issue to the shareholders in the annual report.

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