

THE PANOPLY HOLDINGS PLC

TERMS OF REFERENCE: AUDIT, RISK AND AIM RULES COMPLIANCE

DATED: 27 November 2018

These terms of reference set out the scope of the activities of the Audit, Risk and AIM Rules Compliance Committee (the **Committee**) of the board of directors (the **Board**) of The Panoply Holdings PLC (the **Company**, and together with its subsidiaries, the **Group**) which was established pursuant to a resolution of the Board passed on today's date.

1. Membership

- 1.1 The members of the Committee shall be appointed by the Board. The Committee shall consist of a majority of independent non-executive directors of the Company who shall and the quorum for meetings of the Committee shall be two members including at least one independent non-executive director. The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director of the Company.
- 1.2 Appointments of the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of three years provided the directors still meet the criteria for the membership of the Committee.
- 1.3 At least one member of the Committee shall have recent and relevant financial experience and ideally a professional qualification from one of the professional accountancy bodies.

2. Attendance at Meetings

- 2.1 The chief executive and a representative of the Company's auditor shall be invited to, and whenever possible shall be expected to attend, all meetings of the Committee.
- 2.2 Other Board members and any advisers appointed by the Committee shall also attend if invited by the Committee.
- 2.3 At least once a year, and at any other time as the Committee shall see fit, the Committee shall meet separately with the Company's auditor and the chief executive in the absence of other members of management.
- 2.4 The Company Secretary, or his nominee, shall be the secretary of the Committee.

3. Frequency of Meetings

Meetings of the Committee shall be held not less than twice each year. The Committee may meet at other times during the year as agreed between the members of the Committee or as otherwise requested.

4. Notice of Meetings

- 4.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of the chairman of the Committee or any two members of the Committee.
- 4.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend and all other non-executive directors no later

than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and other attendees (as appropriate) at the same time.

5. Role

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- 5.1 the integrity of the financial information provided to shareholders;
- 5.2 the Company's system of internal controls and risk management;
- 5.3 the internal and external audit process and auditors; and
- 5.4 the processes for compliance with laws, regulations and ethical codes of practice.

6. Authority

6.1 The Committee is authorised by the Board to:

- 6.1.1 investigate, or cause to be investigated, any activity within its terms of reference;
- 6.1.2 seek any information that it requires from any employee or director of the Company in order to perform its duties and all employees and directors shall be directed to co-operate with any request made by the Committee;
- 6.1.3 obtain, at the Company's expense, such outside legal, accounting or independent professional advice as the Committee may think fit (and such advisors may attend meetings of the Committee as necessary);
- 6.1.4 call any employee to be questioned at a meeting of the Committee as and when required;
- 6.1.5 have the right to publish in the Company's annual report, any details of any issues that cannot be resolved between the Committee and the board;
- 6.1.6 meet for despatch of its business, adjourn and otherwise regulate its business as it shall see fit, including approving items of business; and
- 6.1.7 commission any reports or surveys which it deems necessary to help it fulfil its obligations.

6.2 As a committee of the Board, the Committee shall have no executive powers.

7. Duties

The Committee should have oversight of the work of the Group's auditors. The responsibilities of the Committee shall be to:

- 7.1 consider the appointment, dismissal or resignation of the Company's auditors and to oversee the process for selecting the Company's auditors and to make appropriate recommendations, through the Board, to shareholders to consider at the annual general meeting concerning the reappointment of the Company's auditors;

- 7.2 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 7.3 assess annually the independence and objectivity of the Company's auditors and to approve and to ensure that the nature and amount of any non-audit work does not impair the Company's auditors' independence and objectivity;
- 7.4 satisfy 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;
- 7.5 discuss with the auditor the nature, scope and effectiveness of the annual audit process taking into account relevant UK professional and regulatory requirements and to review the auditor's quality control procedures and the steps taken by the auditor to respond to changes in regulatory and other requirements;
- 7.6 oversee the relationship with the external auditor. In this context the Committee shall:
 - 7.6.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - 7.6.2 approve the auditor's engagement letter and any amendments thereto and to review the auditor's management letter and management's response thereto;
- 7.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 7.7.1 a discussion of any major issues which arose during the audit;
 - 7.7.2 the auditor's explanation of how the risks to audit quality were addressed;
 - 7.7.3 a review of key accounting and audit judgements;
 - 7.7.4 a discussion of the auditor's view of their interactions with senior management; and
 - 7.7.5 a review of levels of errors identified during the audit; and
 - 7.7.6 a review of the effectiveness of the audit.
- 7.8 in relation to the internal audit of the Company:
 - 7.8.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management systems (where there is no internal audit function, the Committee shall consider annually whether there is a need for an internal audit function and make a recommendation to the Board accordingly);
 - 7.8.2 approve the appointment and removal of the head of the internal audit function;
 - 7.8.3 consider and approve the remit of the internal audit function and ensure it has necessary resources and appropriate access to information to enable it to perform its function effectively and in accordance with appropriate professional standards for internal auditors. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

- 7.8.4 ensure the internal auditor has direct access to the Board chairman and to the chairman of the Committee and is accountable to the Committee;
- 7.8.5 review and assess the annual internal audit plan;
- 7.8.6 receive a report on the results of the internal auditor's work on a periodic basis;
- 7.8.7 review and monitor the executive management's responsiveness to the findings and recommendations of the internal audit function; and
- 7.8.8 meet with the head of internal audit at least once a year without the presence of management;
- 7.9 review and assess the appropriateness of the Company's procedures for handling, in confidence, concerns raised by staff or others about possible improprieties in financial reporting or other matters;
- 7.10 approve the Company's policy relating to the employment of former employees of the auditor and review the application of the policy from time to time;
- 7.11 review the Company's procedures for identifying, evaluating and monitoring business risks and controlling their impact on the Company;
- 7.12 review reports on the effectiveness of systems for internal financial control, financial reporting and risk management and compliance controls, including the Group's systems and procedures for anti-money laundering;
- 7.13 review, and challenge where necessary, the actions and judgements of management, in relation to the Company's interim and annual financial statements, and any formal announcements relating to the Company's financial performance, with a view to making a recommendation to the Board, paying particular attention to:
 - 7.13.1 significant accounting policies and practices, and any changes to them and their consistency and appropriateness;
 - 7.13.2 decisions requiring a major element of judgement;
 - 7.13.3 the methods used to account for and the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;
 - 7.13.4 the clarity and completeness of financial reporting disclosures and any changes to those disclosures, review of any correspondence between the Company and the external auditor;
 - 7.13.5 significant adjustments resulting from the audit;
 - 7.13.6 the going concern assumptions or qualifications (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period);
 - 7.13.7 compliance with accounting standards and any recognised investment exchange and other financial and governance reporting requirements;

- 7.13.8 compliance with the Companies Act 2006 and the Financial Services and Markets Act 2000 and other legal requirements;
- 7.13.9 reviewing the Company's statement on internal control systems that identify, assess, manage and monitor financial risks prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company; and
- 7.13.10 review regular reports from the Company's compliance officer and keep under review the adequacy and effectiveness of the Company's compliance function;
- 7.14 to review the half-year and annual statements before submission to the Board, focusing particularly on:
 - 7.14.1 any changes in accounting policies and practices;
 - 7.14.2 major areas of judgment with respect to accounting policies;
 - 7.14.3 significant adjustments resulting from audits;
 - 7.14.4 the going concern assumptions;
 - 7.14.5 compliance with accounting standards;
 - 7.14.6 compliance with the AIM Rules for Companies, and legal and other regulatory requirements; and
 - 7.14.7 all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as it relates to audit and risk management;
- 7.15 review first any other statements that contain financial information and require board approval, if carrying out a review before board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules for Companies;
- 7.16 where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, reporting its views to the Board;
- 7.17 note any significant pending legal actions against or by a company within the Group and to note any material breaches of compliance, regulations or legislation;
- 7.18 give due consideration to laws and regulations, including the provisions of the QCA Corporate Governance Code and the requirements of the Financial Conduct Authority's Prospectus Rules and Disclosure and Transparency Rules (to the extent applicable), AIM Rules for Companies and any other applicable rules, as appropriate (**Applicable Regulations**);
- 7.19 review the Company's systems and controls for monitoring and ensuring compliance with the Applicable Regulations and keep under review the Company's adherence to the same;
- 7.20 liaise with the Company's advisors, including the nominated advisor, in connection with the Applicable Regulations;
- 7.21 review the Company's procedures for detecting fraud and money laundering;

- 7.22 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;
- 7.23 review regular reports from the Company's compliance officer and keep under review the adequacy and effectiveness of the Company's compliance function;
- 7.24 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 7.25 be available to advise the Board on any questions relating to the financial affairs of the Company on which advice might be sought; and
- 7.26 consider any other topics which may be referred to it by the Board from time to time.

8. Reporting Procedures

- 8.1 An agenda for each meeting shall be agreed between the chairman of the Committee and the Company Secretary and shall be circulated prior to each Committee meeting to the members of the Committee and all Board members.
- 8.2 The Company Secretary shall ascertain at the start of each meeting the existence of any conflicts and shall minute them accordingly.
- 8.3 The Company Secretary shall maintain and circulate minutes of meetings of the Committee to all members of the Board. The chairman of the Committee shall keep the Board fully informed as to the progress and/or resolution of all issues raised in all Committee meetings and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:
 - 8.3.1 the significant issues that it considered in relation to the financial statements and how these were addressed;
 - 8.3.2 its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - 8.3.3 any other issues on which the Board has requested the Committee's opinion.
- 8.4 The Committee members shall undertake a review of the Committee's work and these terms of reference annually and, if necessary, make recommendations to the Board for the amendment of the terms of reference or any area within its remit where action or improvement is needed.
- 8.5 The Committee's duties and activities during the year shall be disclosed in the Company's Annual Report and Accounts. The Committee's 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, having regard to matters communicated to it by the auditor; and all other information requirements set out in the QCA Corporate Governance Code.
- 8.6 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 and whether it informs the Board's statement in the annual report on these matters that is required under the QCA Corporate Governance Code.

- 8.7 The chairman of the Committee shall attend the Company's annual general meeting and shall answer questions, through the chairman of the Board, on the Committee's activities and responsibilities.

9. Other matters

The committee shall:

- 9.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 9.2 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;
- 9.3 work and liaise 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
- 9.4 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.