



**CONTOURGLOBAL PLC**

**ContourGlobal PLC**  
**(the “Company” and, together with its subsidiaries, the “Group”)**

**AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

- 1. COMPOSITION AND MEETINGS OF AUDIT AND RISK COMMITTEE**
- 1.1. The audit and risk committee of the Company (the “**Audit and Risk Committee**”) comprises not less than three independent non-executive directors of the Company, to be selected by the board of directors of the Company (the “**Board**”), on the recommendation of the Nomination Committee of the Company and in consultation with the Chairman of the Audit and Risk Committee, and any person otherwise entitled to be appointed. All members of the Audit and Risk Committee shall have the skills and experience appropriate for membership and at least one member shall have recent and relevant financial experience such as a professional qualification from one of the professional accountancy bodies. The Audit and Risk Committee as a whole shall have the competence relevant to the sector in which the Company operates. Appointments to the Audit and Risk Committee shall be for a period of up to three years which may be extended by no more than two additional three-year periods, provided the member remains independent. The Chairman of the Board shall not be a member of the Audit and Risk Committee.
- 1.2. The Chairman of the Audit and Risk Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, and shall be an independent non-executive director. In the absence of the Chairman of the Audit and Risk Committee, the remaining members shall elect one of themselves to chair the meeting.
- 1.3. If any member of the Audit and Risk Committee is unable to act for any reason, the Chairman of the Audit and Risk Committee may appoint any other independent non-executive director of the Company to act as his or her alternate.
- 1.4. The Company Secretary (or his or her nominee) shall be the secretary of the Audit and Risk Committee and shall ensure that the Audit and Risk Committee and any other person entitled or required to attend receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 1.5. The quorum for meetings of the Audit and Risk Committee is any two of its members, of which one must be an independent non-executive director. Only members of the Audit and Risk Committee may vote at meetings.
- 1.6. A duly convened meeting of the Audit and Risk Committee at which quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit and Risk Committee.

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- 1.7. Only members of the Audit and Risk Committee have the right to attend the Audit and Risk Committee meetings but others may attend if invited.
- 1.8. The external auditor will be invited to attend meetings of the Audit and Risk Committee on a regular basis.
- 1.9. Meetings of the Audit and Risk Committee are to be held at least three times a year, at appropriate times in the financial reporting and audit cycle, and otherwise as required. Any of the Audit and Risk Committee members, the Chief Financial Officer, the Chief Compliance Officer, the Company's external auditor or the head of the internal audit function (if appointed) may request a meeting of the Audit and Risk Committee if he or she considers it necessary, to be arranged by the Company Secretary.
- 1.10. Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed and any relevant supporting papers, shall be forwarded by the Company Secretary to each member of the Audit and Risk Committee and any other person required to attend no later than two business days and one weekend before the time of the meeting.
- 1.11. The Chairman of the Audit and Risk Committee will maintain a dialogue outside of the formal meeting 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 lead partner of the external auditor and the head of the internal audit function (if appointed), as applicable.

## **2. AUTHORISATIONS**

- 2.1. The Audit and Risk Committee is authorised by the Board:
  - (a) to undertake and investigate any activity within its terms of reference;
  - (b) to obtain any information it requires from any employee of a Group company and to call any employee to a meeting of the Audit and Risk Committee as and when required (and all employees will be directed to co-operate with any lawful request made by the Audit and Risk Committee);
  - (c) to obtain, at the Company's expense, such independent, legal, accounting or other professional advice on any matter it deems necessary;
  - (d) to secure the attendance of other persons at its meetings if it considers this appropriate; and
  - (e) to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Audit and Risk Committee and the Board.

## **3. DUTIES OF THE AUDIT AND RISK COMMITTEE**

- 3.1. The duties of the Audit and Risk Committee are:

### *External Audit*

- (a) in respect of the external audit:

- (i) to consider and make recommendations to the Board (which if the Board agrees shall then be put to shareholders for approval at the Company's annual general meeting) in relation to the appointment, reappointment and removal of the external auditor;
- (ii) to ensure that the audit services contract is put out to tender as required by applicable legal and regulatory requirements and at least once every ten years to enable the Audit and Risk Committee to (i) compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and (ii) 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 duration of the tendering process;
- (iii) to oversee the relationship with the external auditor including (but not limited to):
  - (A) considering and approving their remuneration, including fees for audit or non-audit services and determining that the level of fees is appropriate to enable an effective and customary audit to be conducted;
  - (B) approval of their terms of engagement, including the engagement letter issued at the start of each audit and the scope of the audit;
  - (C) discussing, before the audit starts, the nature and scope of the audit and ensuring co-ordination when more than one firm of external auditors is involved;
  - (D) assessing annually the external auditor's independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
  - (E) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (F) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of external 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;
  - (G) 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;
  - (H) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of

withdrawal of the Company's present auditor from the market in that evaluation; and

- (I) seeking to ensure co-ordination of the external audit function with the activities of the internal audit function, where an internal audit function exists;
- (iv) to meet with the external auditor regularly, including once at the planning stage before the audit and once after the audit at the reporting stage. The Audit and Risk Committee shall meet the external auditor at least once a year, without management being present, to discuss its remit and any issues arising from the audit;
- (v) to review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
  - (A) discussion of any major issues which arose during the audit;
  - (B) the auditor's explanation of how the risks to audit quality were addressed;
  - (C) key accounting and audit judgements;
  - (D) level of errors identified during the audit; and
  - (E) the effectiveness of the audit process.
- (vi) to keep under review the scope and results of the audit, the audit fee and its cost-effectiveness, taking into consideration relevant professional and regulatory requirements;
- (vii) to review:
  - (A) any representation letter(s) requested by the external auditor before they are signed by management; and
  - (B) if issued, the management letter and management's response to the external auditor's findings and recommendations;
- (viii) to develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account the Financial Reporting Council (FRC) Ethical Standard on the matter and, as applicable, the EU Audit Directive (as revised from time to time and as long as such Directive applies to UK incorporated companies), and to keep such policy under review;
- (ix) to agree with the Board a policy on the employment of former employees of the Company's external auditor, then monitoring the implementation of this policy; and
- (x) if an external auditor resigns, to investigate the issues leading to this and decide whether any action is required.

### *Audit Plan*

- (b) 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;

### *Financial Reporting*

- (c) to review and monitor the integrity of the financial statements of the Company including its half-year financial statements and annual accounts, quarterly financial results if disclosed, preliminary results announcements and reports to shareholders and any other formal announcement concerning the Company's financial position, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor. The Audit and Risk Committee shall also review the strategic report in the Company's annual report, any significant financial returns required to be provided to regulators and any financial information contained in certain other documents, such as announcements of price sensitive information;
- (d) the Audit and Risk Committee shall review and challenge where necessary:
  - (i) the consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across 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) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
  - (v) all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit and to risk management; and
  - (vi) where the Audit and Risk Committee is not satisfied with any aspect of the proposed financial reporting by the Company, to report its views to the Board;
- (e) to submit the documents referred to in paragraph 3.1 to the Board for its approval and to determine what information should be brought to the Board's attention in connection with that submission;

### *Narrative Reporting*

- (f) where requested by the Board, the Audit and Risk Committee should review the content of the annual report and accounts and advise the Board about whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance,

business model and strategy and whether it informs the Board's statement in the annual report on these matters;

*Internal Audit*

- (g) where an internal audit function exists:
  - (i) to review and approve the role and mandate of the internal audit function and ensure the function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
  - (ii) to review and annually approve the internal audit charter to ensure that it is appropriate to the current needs of the Company;
  - (iii) to ensure the head of the internal audit function has direct access to the Chairman of the Board, the Chairman of the Audit and Risk Committee and the Audit and Risk Committee, and is accountable to the Audit and Risk Committee;
  - (iv) to ensure that the internal audit function has a reporting line which enables it to be independent of the executive and so able to exercise independent judgement;
  - (v) to ensure that there is open communication between the different functions and that the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its internal audit plan;
  - (vi) to approve the appointment and removal of the head of the internal audit function;
  - (vii) to review, assess and approve the annual internal audit plan and to ensure that the internal audit plan is aligned to the key risks of the Company's business;
  - (viii) to receive a report on the results of the internal audit function's work on a periodic basis;
  - (ix) to review and monitor management's responsiveness to the findings and recommendations of the internal audit function;
  - (x) to meet with the head of the internal audit function at least once a year without the presence of management, to discuss their remit and any issues arising from internal audit reviews; and
  - (xi) to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (h) where an external auditor is being considered to undertake aspects of the internal audit function, to consider the effect this may have on the effectiveness of the Company's overall arrangements for internal control, the effect on the objectivity

and independence of the external auditor and the internal audit function and investor perceptions; and

- (i) if, at any time, an internal audit function does not exist, the Audit and Risk Committee should consider annually whether there is a need for an internal audit function and make a recommendation thereon to the Board, and the reasons for the absence of such a function should be explained in the relevant section of the annual report. When undertaking its assessment of the need for an internal audit function, the Audit and Risk Committee should also consider whether there are any trends or current factors relevant to the Company's activities, markets or other aspects of its external environment that have increased, or are expected to increase, the risks faced by the Company;

#### *Internal Controls and Risk Management Systems*

- (j) to assist the Board with developing and maintaining the Company's risk management framework, as set out in the Company's disclosures on internal control and risk management, and supporting the Board and senior management in its implementation and ongoing use;
- (k) to assist the Board and senior management with identifying and monitoring areas of risk and reducing control weaknesses on an ongoing basis, including monitoring material financial, operational and compliance controls;
- (l) to review the Company's compliance system of corporate standards and procedures and assess the effectiveness of these standards and procedures;
- (m) to ensure that change programmes and projects and new product development activities adopt an appropriate process for addressing risks;
- (n) to ensure that the Board receives regular updates on the actions taken by management to mitigate the risks facing the Group;
- (o) to maintain a risk register which will identify all material risks, evaluate any financial impact of such risks, identify actions to mitigate or avoid any potential impact from such risks, and, going forward, monitor and review the risks;
- (p) to ensure the adequacy of insurance coverage, including D&O insurance, for the Company and the Group;
- (q) providing an independent assessment and opinion on the effectiveness and efficiency of internal controls by:
  - (i) assessing the balance of risk and control operated by management in the achievement of business goals and objectives;
  - (ii) reviewing and evaluating the controls and systems established by management to ensure compliance with Group policies and procedures and laws and regulations;

- (iii) supporting the Board and senior management by providing best practice advice on internal control and practical recommendations to mitigate control weaknesses identified during the audit review process;
  - (iv) reviewing key systems developments to determine whether adequate controls are incorporated in the systems and satisfactory systems testing is performed at appropriate stages;
  - (v) supporting loss prevention through enhancing control awareness across the Group and taking a leading role in fraud investigations and retain the provision of forensic accounting services to the extent required; and
  - (vi) advising the business on process efficiencies to be gained;
- (r) assist the Board with its annual review of, and report on, the effectiveness of the Group's internal control and risk management systems, including meeting at least once annually with appropriate employees of the Group (or external advisers), without senior management present, to discuss the internal audit, control and risk management functions (other than in relation to those matters for which the Audit and Risk Committee is responsible), and to review the Company's statement on internal control and risk management prior to endorsement by the Board;
- (s) to assist the Board to draw on the results of the ongoing monitoring process to obtain sound, appropriately documented evidence to support the relevant statements and confirmations required from the Board in the annual report (and, in the case of (iv) below, the half-yearly financial statements) including:
- (i) that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
  - (ii) how the Board has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate;
  - (iii) whether the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment; and
  - (iv) the appropriateness of adopting the going concern basis of accounting in the financial statements and whether there are any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of the approval of the financial statements;
- (t) to advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and relevant industry and regulatory sources that may be relevant for the Company's risk policies;
- (u) to oversee and advise the Board on the current risk exposures of the Group and future risk strategy and the steps taken to manage those risks; and
- (v) to review the Company's capability to identify and manage new risk types.

*Whistleblowing, Compliance and Fraud*

- (w) to review the adequacy and security of the Company's procedures by which employees and contractors may, in confidence, raise concerns about possible wrongdoing in matters of financial reporting or other matters. The Audit and Risk Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action;
- (x) to review the Company's procedures for preventing and detecting fraud;
- (y) to review the Company's systems and controls for the prevention of bribery and to receive reports on non-compliance;
- (z) to review regular reports from the Company's Chief Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function; and

*Recommendations, Reports and Actions*

- (aa) to have the Chairman of the Audit and Risk Committee report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities. This report shall include (to the extent such matters are considered at the relevant meetings):
  - (i) the significant issues that it considered in relation to the financial statements (required under paragraph 3.1(c)) and how these were addressed;
  - (ii) its assessment of the effectiveness of the external audit process (required under paragraph 3.1(a)(iii)(G)) and its recommendation on 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;
  - (iii) the results of its review of the risk management and internal compliance and control systems; and
  - (iv) any other issues on which the Board has requested the Audit and Risk Committee's opinion;
- (bb) to consider the major findings of material internal investigations and management's response;
- (cc) to make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- (dd) to prepare a report to shareholders on its activities and the Company's risk management and strategy to be included in the Company's annual report. The report should include an explanation of how the Audit and Risk Committee has addressed the effectiveness of the external audit process (and may include an assessment of the tenure and tender process of the external auditor); the significant issues that the Audit and Risk 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 UK Corporate Governance Code (the “Code”) or any other laws or regulations;

- (ee) to review the annual financial statements of the pension funds as relevant if they were not reviewed by the Board as a whole;
- (ff) to oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort;
- (gg) to ensure that, if the external auditor provides non-audit services, an explanation is provided to the shareholders in the annual report about how the external auditor’s objectivity and independence is safeguarded, setting out the Audit and Risk Committee’s policy on the provision of non-audit services and disclosing the details set out in the FRC Guidance on Audit Committees in relation to each significant engagement;
- (hh) to, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at sufficient effectiveness and recommend any changes it considers necessary for Board approval; and
- (ii) to consider other matters as referred to the Audit and Risk Committee by the Board.

#### **4. AUDIT AND RISK COMMITTEE CHAIRMAN**

The Chairman of the Audit and Risk Committee will:

- 4.1. report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities; and
- 4.2. attend the Company’s annual general meeting prepared to answer shareholders’ questions on the Audit and Risk Committee’s activities.

#### **5. SECRETARY**

The Company Secretary will:

- 5.1. minute the proceedings and resolutions of all meetings of the Audit and Risk Committee, including recording the names of those present and in attendance;
- 5.2. ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly; and
- 5.3. promptly circulate minutes of the Audit and Risk Committee meetings to all members of the Audit and Risk Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

#### **6. OTHER MATTERS**

6.1. The Audit and Risk Committee will:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

- (b) 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;
- (c) work and liaise as necessary with all other Board committees; and
- (d) give due consideration to laws and regulations, the provisions of the Code and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and any other applicable rules and guidelines, as appropriate.

6.2. These terms of reference shall be made available on the Company's website in accordance with the Code.

Approved by the Board on November 7, 2017