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**Ramsdens Holdings PLC**

**Audit & Risk Committee**

**Terms of Reference**

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## 1. **INTERPRETATION**

In these terms of reference:

"**Company**" means Ramsdens Holdings PLC & its subsidiaries;

"**Board**" means the board of directors of the Company;

"**Auditor**" means the external auditors of the Company; and

"**Committee**" means the audit and risk committee of the Board.

## 2. **CONSTITUTION**

By a resolution dated 1<sup>st</sup> February 2017, the Board resolved, pursuant to the authority and power conferred upon the Board by regulations 5 and 6 of the Model Articles incorporated into the articles of association of the Company, to establish a committee of the Board to be known as the audit and risk committee.

## 3. **GENERAL AIMS**

Without prejudice to the specific duties of the Committee detailed below, the general aims of the Committee shall be to:

- (a) increase shareholder confidence and the credibility and objectivity of published financial information;
- (b) ensure the financial performance, position and prospects of the Company are properly monitored and reported on;
- (c) assist the Board in meeting its financial reporting responsibilities and ensure that the Company's published financial statements comply with all applicable statutory requirements and accounting standards;
- (d) strengthen the independent position of the Auditor by providing channels of communication between them and the non-executive directors; and
- (e) review the performance of the Auditor;
- (f) assess the risks faced by the Company and assess the mitigation and controls in place in managing those risks.

## 4. **SPECIFIC DUTIES**

The Committee shall perform the following duties for the Company.

### 4.1 **Financial Reporting**

4.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its:

- (a) annual and half-yearly reports and accounts;
- (b) interim management statements;

- (c) announcements of preliminary results; and
  - (d) any other formal announcement relating to its financial performance;
- reviewing all significant financial reporting issues and all judgements which they contain.

4.1.2 The Committee shall review:

- (a) summary financial statements;
- (b) significant financial returns to regulators; and
- (c) any financial information contained in other documents, such as announcements of a price sensitive nature.

4.1.3 The Committee shall review and challenge where necessary:

- (a) the consistency of; and any changes to, accounting policies both on a year on year basis and across the Company;
- (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 judgements, taking into account the views of the Auditor;
- (d) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

**4.2 Internal Controls and risk management systems**

The Committee shall:

- (a) keep under review the effectiveness of the Company's internal controls and risk management systems; and
- (b) review and approve any statements to be included in the Company's annual report and accounts concerning internal controls and risk management.

**4.3 Whistleblowing**

The Committee shall review the Company's arrangements for its employees 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 and review the Company's procedures for detecting fraud.

#### 4.4 **Internal Audit**

The Committee shall:

- (a) review annually the terms of reference of the internal audit function of the Company which will include monitoring and reviewing the effectiveness of the internal audit function, senior appointments and removals in respect of that function, resourcing of that function, meetings with the Head of Compliance & Risk and if necessary the internal auditors and reviewing executive management's responsiveness to findings and recommendations of the internal audit function;
- (b) the Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (c) review and assess the annual internal audit plan;
- (d) review promptly all reports on the Company from the Head of Compliance & Risk;
- (e) meet the Head of Compliance & Risk at least twice a year, without executive management being present, to discuss their remit of the internal audit function and any issues arising from the internal audits carried out. In addition, the Head of Compliance & Risk shall be given the right of direct access to the chairman of the Board and to the Committee.

#### 4.5 **External Audit**

4.5.1 The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment or removal of the Auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with the Auditor including (but not limited to):
  - (i) approval of their remuneration, whether fees for audit or non-audit services and ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity taking into account relevant 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 Company (other than in the ordinary course of business);
  - (v) agreeing with the Board a policy on the employment of former employees of the Auditor, 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 the qualifications, expertise and resources of the Auditor and the effectiveness of the audit process, which shall include a report from the Auditor on their own internal quality procedures;
  - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
  - (ix) considering the risk of the withdrawal of the company's present auditor from the market;
- (c) meet regularly with the Auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the Auditor at least once a year, without executive management being present, to discuss their remit and any issues arising from the audit;
  - (d) review and approve the annual external audit plan and ensure that it is consistent with the scope of the audit engagement;
  - (e) review the findings of the audit with the Auditor. This shall include but not be limited to, the following:
    - (i) a discussion of any major issues which arose during the audit;
    - (ii) any accounting and audit judgements; and
    - (iii) levels of errors identified during the audit.
  - (f) review the effectiveness of the audit;
  - (g) review any representation letter(s) requested by the Auditor before they are signed by the executive management;
  - (h) review the executive management letter and executive management's response to the Auditor's findings and recommendations; and
  - (i) develop and implement a policy on the supply of non-audit services by the Auditor, taking into account any relevant ethical guidance on the matter.

#### 4.6 **Other Matters**

The Committee shall:

- (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) give due consideration to laws and regulations having regard to the size and nature of the Company and the provisions of the Quoted Companies Alliance Corporate Governance Code for small and mid-size quoted companies and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and the Market Abuse Regulation as appropriate and;
- (d) oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.

#### 5. **REPORTING AND AGM DUTIES**

- 5.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 5.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any matter within its remit where action or improvement is needed.
- 5.3 The Chairman of the Committee (or, in his absence, another Committee member) shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.
- 5.4 The Committee's terms of reference shall be available on the Company's website.

#### 6. **REGULATORY DUTIES**

In carrying out its duties the Committee shall:

- (a) give due regard to:
  - (i) all relevant legal and regulatory requirements;
  - (ii) all rules of the AIM Market operated by the London Stock Exchange plc;
  - (iii) the provisions, recommendations and disclosure requirements contained in the Market Abuse Regulation;
  - (iv) the provisions and recommendations of the UK Corporate Governance Code issued by the Financial Reporting Council (having regard also to the size and nature of the Company); and

- (v) the corporate governance guidelines for AIM companies issued by the Quoted Companies Alliance (having regard also to the size and nature of the Company);
- (b) ensure that it has such information as it considers necessary or desirable to fulfil its duties as set out in these terms of reference.

## 7. **MEMBERSHIP**

- 7.1 Members of the Committee shall be appointed from time to time by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Committee.
- 7.2 The Committee shall be made up of at least two members.
- 7.3 All members of the Committee shall be independent non-executive directors of the Company, and at least one member shall have recent and relevant financial experience.
- 7.4 The Chairman of the Board can be a member of, and can chair, the Committee, provided he or she was considered independent on appointment.
- 7.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided that the relevant member of the Committee remains independent.
- 7.6 The Board shall appoint the Chairman of the Committee who shall be an independent non-executive director of the Company. In the absence of the Chairman, the remaining members of the Committee present at a fully convened Committee meeting may elect one of their number to chair the meeting. The Board shall determine the period for which the chairman of the Committee holds office.
- 7.7 The Board may from time to time remove members from the Committee.
- 7.8 The membership of the Committee shall be set out in the annual report of the Company.

## 8. **SECRETARY**

The Company Secretary (or his or her nominee) shall be the secretary of the Committee.

## 9. **MEETINGS**

- 9.1 The Committee shall meet at least two times in each year at appropriate times in the reporting and audit cycle and at such other times as the chairman of the Committee shall require.
- 9.2 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any member of the Committee or at the request of the Auditor or any internal auditor if they consider it necessary.
- 9.3 Unless otherwise agreed, at least 5 working days notice shall be given of each meeting of the Committee.

- 9.4 Unless otherwise agreed, notice of each meeting of the Committee shall:
- (a) confirm the venue, time and date of the meeting;
  - (b) include an agenda of items to be discussed at the meeting; and
  - (c) be sent to each member of the Committee, the secretary, any other person required, invited or entitled to attend the meeting and all other non-executive directors of the Company.
- 9.5 Supporting papers shall be sent to members of the Committee and to other attendees at the same time as the relevant notice.
- 9.6 The quorum necessary for the transaction of business by the Committee shall be two members of the Committee and 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.
- 9.7 Only members of the Committee shall have the right to attend meetings of the Committee. However, others (such as the chairman of the Board, the chief executive, the finance director, other directors, the heads of risk, compliance and internal audit, representatives from the finance function of the Company and external advisers) may be invited to attend and speak at (but not vote at) a meeting of the Committee as and when appropriate.
- 9.8 The Auditor shall be invited to attend and speak at meetings of the Committee on a regular basis but shall not be entitled to vote at such meetings.
- 9.9 Meetings of the Committee may be held by conference telephone or similar communications equipment whereby all members participating in the meeting can hear each other provided always however that at least once per annum a direct meeting shall be held between the Committee and the Auditor where a quorum of the members of the Committee and the Auditor are present in person at the same location.
- 9.10 Matters for decision by the Committee shall be decided by a majority decision of the members.
10. **VOTING**
- 10.1 Each member of the 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 Committee.
- 10.2 If a matter which is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 10.3 Matters for decision by the Committee shall be decided by a majority decision of the members present at the meeting and eligible to vote



## 11. **MINUTES**

- 11.1 The secretary of the Committee shall minute the proceedings and resolutions of Committee meetings and record the names of those present and in attendance.
- 11.2 The secretary of the Committee shall ascertain, at the start of each Committee meeting, the existence of any conflicts of interest and minute them accordingly.
- 11.3 Following each meeting of the Committee, the secretary shall promptly circulate, for comment, draft minutes to each member who was present at the meeting.
- 11.4 After approval and signing of the minutes by the chairman of the Committee meeting, the secretary shall circulate copies of the minutes to all members of the Board (unless a conflict of interest exists).

## 12. **AUTHORITY**

- 12.1 The Committee is a committee of the Board and as such exercises such powers of the Board as have been delegated to it.
- 12.2 The Committee is authorised by the Board to investigate any activity within its terms of reference.
- 12.3 The Committee is authorised to:
  - (a) seek any information it requires (including from any employee of the Company) in order to perform its duties;
  - (b) obtain outside legal or other professional advice (including the advice of independent remuneration consultants) on any matters within its terms of reference including, without limitation, any legal matters which could have a significant effect on the Company's financial position;
  - (c) to commission any reports or surveys, which it deems necessary, to help it fulfil its obligations;
  - (d) to secure the attendance of external advisors at its meetings (if it considers it necessary); and
  - (e) to call any employee to be questioned at a meeting of the Committee as and when required, all at the Company's expense.

## 13. **OWN PERFORMANCE**

At least once a year, the Committee shall 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.