

# James Halstead PLC

## Audit Committee Terms of Reference

### **1. CONSTITUTION**

This Committee of the board of directors of the Company (the “**Board**”) has been established under Article 29.2 of the Company’s Articles of Association as the Audit Committee (the “**Committee**”). In these terms of reference, the “**Group**” refers to James Halstead PLC and its subsidiaries.

### **2. MEMBERSHIP**

- 2.1 The members of the Committee shall be appointed by the Board from amongst its independent non-executive directors of the Company and shall consist of no fewer than two members and at least one of whom shall have recent relevant experience and competence in accounting or auditing or both.
- 2.2 The Chairman of the Committee shall be appointed by the Board and shall not be the Chairman of the Board. In the absence of the chairman of the Committee the remaining members present at any meeting shall elect one of their number to chair the meeting.
- 2.3 If a regular member is unable to act due to absence, illness or other cause, the chairman of the Committee may, if there are any other independent non-executive directors, appoint another Independent non-executive director of the Company to serve as an alternate member.
- 2.4 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Where possible, the Chairman and members of the Committee should be rotated on a regular basis
- 2.5 Membership of the Committee shall be noted in the Corporate Governance section of the annual accounts of the Company.

### **3. SECRETARY**

- 3.1 The Company Secretary or his or her nominee shall act as **Secretary** to the Committee

### **4. ATTENDANCE AT MEETINGS**

- 4.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group Chief Executive, Group Finance Director, other directors, senior management and other external advisers, as required, may be invited to attend all or part of any meeting as and when appropriate but such persons have no right of attendance.
- 4.2 A representative of the external auditors shall attend meetings on a regular basis and when requested by the Committee.

### **5. PROCEEDINGS AT MEETINGS**

- 5.1 A quorum for a meeting of the Committee shall be two members. 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.

### **6. FREQUENCY OF MEETINGS**

- 6.1 Meetings shall be held at least two times at appropriate times in the financial reporting calendar and audit cycle and at otherwise as required.
- 6.2 The external Auditors may request a meeting with the Committee if they consider that one is necessary.

## **7. NOTICE OF MEETINGS**

- 7.1 Meetings of the Committee shall be called by the Company Secretary at the request of any of its members or at the request of external auditors.
- 7.2 Notice of the meeting, together with an agenda and all supporting documentation, will be sent to each member of the Committee, and requested attendees, no later than five working days before the date of the meeting.

## **8. MINUTES OF MEETINGS**

- 8.1 The Company Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. Any conflicts of interest should be ascertained and noted in the minutes of the meeting
- 8.2 Draft minutes of the meeting shall be agreed with the chairman of the Committee prior to being circulated to all members of the Committee and members of the Board.

## **9. ANNUAL GENERAL MEETING**

- 9.1 The Chair of the Committee shall attend the annual general meeting of the Company and be prepared to respond to any shareholder questions on the Committee's activities and responsibilities.

## **10. AUTHORITY**

- 10.1 The Committee is authorised by the Board to investigate and undertake any activity within its terms of reference. It is authorised to seek any information it requires from any employee, director, or professional advisor to the Company
- 10.2 The Committee is authorised by the Board to obtain, at the Companies expense, outside legal, accounting, and other independent professional advice. Such costs will be preapproved and monitored by the Board.

## **11. DUTIES**

- 11.1 Financial Statements.

(a) To monitor the integrity of any externally published statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, review and report to the Board significant financial reporting issues and judgements contained in the statements, having regard to matters communicated to it by the Auditors.

(b) In particular, the Committee shall review and challenge where necessary:

- i. the consistent application, year on year, of critical accounting policies, methodologies and practices and the impact of any changes to them.
- ii. the methods used to account for significant or unusual transactions where alternative approaches are possible.
- iii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, considering the views of the external Auditors.
- iv. the clarity and completeness of disclosures and the context in which statements are made.
- v. all material information presented with the financial statements, including, but limited to, the strategic report and the corporate governance statements, insofar as it relates to the audit and risk management.
- vi. compliance with the Listing Rules of the UK Listing Authority, legal requirements, and all appropriate codes of corporate governance practices.

- (c) The Committee should discuss whether it recommend that the accounts, or information reviewed, should be approved at a meeting of the Board following the Committee meeting. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it should report its views to the Board.

#### 11.2 Internal Control and Risk Management

- (a) Keep under review the Company's internal financial control systems that identify, assess, manage, and monitor financial risks, and other internal control and risk management systems.
- (b) Review and approve the statements to be included in the annual report relating to internal control, risk management and the going concern statement.

#### 11.3 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.

#### 11.4 Internal Audit

The Committee shall consider whether there is a need for one and make a recommendation to the Board as appropriate.

#### 11.5 External Audit

- (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, removal and terms of engagement of the external auditor. The committee shall oversee the selection process for the new auditors and if an auditor resigns the Committee shall investigate the issues behind the decision and decide if an any action is required.
- (b) Meet regularly with the Auditors, including once at the planning stage prior to the audit and once post audit at the reporting stage. to discuss the Auditors' remit and any issues arising from the audit.
- (c) Oversee the relationship with the Auditors including (but not limited to):
  - i. recommend the level of remuneration for the audit and that the level of fees is appropriate to enable an effective and high-quality 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 considering relevant professional and regulatory requirements and the relationship with the Auditors as a whole;
  - 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. monitoring the Auditors' 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; and
  - vi. assessing annually the qualifications, expertise and resources of the Auditors and the effectiveness of the audit process, which shall include a report from the Auditors on their own internal quality procedures.
- (d) Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.

- (e) Review the findings of the audit with the Auditors. This shall include, but not be limited to, the following:
  - i. a discussion of any major issues which arose during the audit;
  - ii. key accounting and audit judgements and
  - iii. levels of errors identified during the audit.
- (f) Review any representation letter(s) requested by the Auditors before they are signed by management.
- (g) Review the management letter and management's response to the Auditors' findings and recommendations.
- (h) Develop and implement policy on the supply of non-audit services by the Auditors in order to avoid any threat to Auditors' objectivity and independence. All relevant ethical guidance on the matter should be considered, including the Financial Reporting Council's ethical standards for audit firms on the provision of non-audit services.

#### 11.6 Reporting Responsibilities.

- (a) The Chairman of the Committee shall report to the Board formally on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate and if it considers it pertinent, to compile a report to shareholders to be included in the Company's annual report and accounts.

#### 11.7 Other Matters

- (a) Give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Code and the requirements of the AIM Rules for Companies of the London Stock Exchange plc as appropriate.
- (b) Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) On a regular basis, 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.
- (d) The Committee shall have access to adequate resources in order to carry out its duties, including access to the Company Secretary for assistance as required.
- (e) Appropriate and timely training will be given, both in the form of an induction programme for new members and on an ongoing basis for all members.
- (f) The committee shall address any other matters relating to its duties referred to the Committee by the Board.
- (g) The Chairman of the Committee or another member of the Committee, shall attend the meeting of the Board at which the annual report and accounts are approved.

*As reviewed and adopted by the Board on 29 September 2020*