

Term of reference for audit and risk committee

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As agreed at Impact Board meeting 15/12/21

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CT Automotive Group plc

Terms of Reference

for the Audit and Risk Committee

CT Automotive Group plc (the “Company”)

Terms of reference for the Audit and Risk Committee

1. Constitution

The committee has been established by a resolution of the board of directors of the Company (the “**Board**”) and is to be known as the Audit and Risk Committee (the “**Committee**”).

2. Membership

2.1 The members of the Committee shall be appointed by the Board from amongst the directors of the Company in consultation with the Chairman of the Committee, and shall consist of not less than three members. At least two members of the Committee shall be independent non-executive directors of the Company. At least one member of the Committee shall have recent relevant financial experience and it should be made clear to the members of the Committee which member(s) have that experience.

2.2 The members of the Committee shall, between them, have not only recent and relevant financial experience, but also overall:

- (a) extensive business experience;
- (b) knowledge of financial markets;
- (c) an understanding of management practices including risk management activities, both generally and in the Company’s industry sector; and
- (d) knowledge of any relevant specialist regulatory or legal requirements.

2.3 The Chairman of the Committee shall be appointed by the Board and shall not be the Chairman of the Board. Where possible, the Chairman of the Committee should have prior experience as a director with another quoted company of similar size and resources and have a broad experience in various risks (including non-financial) facing comparable companies.

2.4 Each member of the Committee shall disclose to the Committee:

- (a) any personal, financial or other interest in any matter to be decided or discussed by the Committee; and/or
- (b) any potential conflict of interest arising from a cross-directorship or otherwise; and

any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee or absent himself from all or part of the meeting of the Committee in question.

2.5 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Appointment to the Committee shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided the director still meets the criteria for membership of the Committee.

2.6 Membership of the Committee shall be noted in the annual directors’ report of the Company.

3. Chairman of the Committee

3.1 The Chairman of the Committee is responsible for the operation and effectiveness of the Committee.

3.2 There are five main elements to role of the Chairman of the Committee:

- (a) managing the Committee as a team to perform an effective oversight role within a unitary board structure;
- (b) supporting and, if necessary, mentoring the Finance Director in the responsibilities arising in a quoted company environment;
- (c) ensuring that the Committee addresses all the tasks delegated to it and that any shortage in skills or experience of committee members is mitigated by the attendance of people with relevant expertise; and
- (d) communicating effectively the performance of the Committee to shareholders through Committee reports.

3.3 The Chairman of the Committee shall set and manage the Committee's agenda.

3.4 The Chairman of the Committee shall work closely with the Finance Director, audit partner and others to ensure that all relevant information and opinions are brought to the attention of the Committee members, so that they can formulate an accurate assessment of the matters under consideration, and so that appropriate items may be placed on to the agenda of the Board.

3.5 The Chairman of the Committee shall have considered, in advance of each Committee meeting, the different possible outcomes of the matters that will be under discussion and the possible further action that may be required.

4. Secretary of the Committee

4.1 The Secretary of the Committee shall be appointed by the Committee at its first meeting.

4.2 In the absence of the Secretary of the Committee, the members present at the meeting of the Committee shall elect another person as the Secretary.

4.3 The Secretary of the Committee shall assist the Chairman of the Committee to determine the agenda for meetings to ensure that the Committee can effectively discharge its responsibilities.

4.4 The Secretary of the Committee should not be a member of the Committee and should not be the Finance Director.

5. Role of the Finance Director

5.1 The Company's finance team shall prepare many of the papers required by the Committee.

5.2 The Finance Director, while not a member of the Committee, shall work closely with the chair of the Committee to ensure that papers for meetings are both comprehensive and comprehensible and are available for distribution sufficiently in advance of Committee meetings.

5.3 The Finance Director will have responsibility for developing and implementing all necessary policies and procedures for sound financial management and control.

5.4 The Finance Director shall attend most Committee meetings in order to participate in discussions on papers prepared by the finance team and decisions which he/she will be involved in implementing.

6. **Attendance at Meetings**

6.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Finance Director, the Chairman of the Board, the Chief Executive Officer, other directors and representatives from the finance function and/or external advisers may be invited to attend all or part of any meeting as and when appropriate but such persons have no right of attendance.

6.2 A representative of the external auditors shall normally attend meetings. At least once in each year the members of the Committee shall meet the external auditors without the presence of any executive director or other employee of the Company and the Committee shall decide if the executive directors (or any of them) should be present or not at any other meeting attended by the external auditors.

7. **Proceedings at Meetings**

7.1 A quorum for a meeting of the Committee shall be two members and it is preferable for any quorum to include a member with recent relevant financial experience. 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.

7.2 Members of the Committee may attend meetings of the Committee either in person, by telephone or through other means of electronic communication, provided all participating Committee members can hear each other.

7.3 Should any member of the Committee wish to attend a meeting by telephone or through other means of electronic communication, prior arrangements shall be made with the Secretary of the Committee.

7.4 Subject as provided in paragraph 2.4 above, each member of the Committee shall have one vote. In the event of an equality of votes, the Chairman of the Committee shall have a second or casting vote (again subject as provided in paragraph 2.4 above). In the absence of the Chairman of the Committee or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

8. **Frequency of Meetings**

8.1 The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require and in any event at appropriate times in the reporting and audit cycle and as otherwise required.

8.2 Any member of the Committee, the internal auditors or the external auditors may request a meeting if they consider that one is necessary.

9. **Notice of Meetings**

9.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors (if applicable) if they consider it necessary.

9.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded by the Secretary of the Committee to each member of the Committee, any other person required to attend, the external auditors and all other non-executive directors no later than five working days (which notice may be waived by any director) before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

10. **Minutes of Meetings**

10.1 The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, exceptionally, it would be inappropriate to do so.

10.2 The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

11. **Annual General Meeting**

The Chairman of the Committee shall attend the annual general meeting of the Company and be available to respond to any shareholder questions on the Committee's activities. In addition, the Chairman of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

12. **Authority**

12.1 The Committee is authorised by the Board to investigate and undertake any activity within its terms of reference. It shall have unrestricted access to the auditors, is authorised to seek any information it properly requires from any director, employee or professional adviser of the Company and all directors, employees and professional advisers are directed to co-operate with any request made by the Committee.

12.2 The Committee is authorised by the Board to obtain outside legal, accounting or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The cost of obtaining such advice or services shall be borne by the Company within such limits as may be authorised by the Board from time to time.

12.3 The Committee is authorised by the Board to have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the board has taken a different position.

13. **Duties**

The duties of the Committee are to:

- (a) consider the appointment, re-appointment and terms of engagement of the external auditors, the auditors' remuneration and any question of resignation or dismissal of the auditors and to make recommendations to the Board on the same, to be put to shareholders for approval. 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) keep under review and oversee the relationship with the external auditors including (but not limited to):
- (i) approval of their remuneration, whether fees for audit or non-audit services should be paid and 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) 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);
 - (iv) the nature and extent of non-audit services supplied by the auditors (where they supply a substantial volume of such services to the Company), seeking to balance the maintenance of objectivity and value for money;
 - (v) develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
 - (vi) discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the Company's internal auditing standards, if applicable;
 - (vii) ensuring that the external auditors report in a timely manner to the Committee on:
 - (A) all accounting policies and practices used or to be used;
 - (B) all alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the external auditor; and
 - (C) all other material written communications between the external auditors and management, such as any management letter or schedule of unadjusted differences;
 - (viii) ensuring that procedures are in place for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
 - (ix) monitoring the external 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;
- (x) the co-ordination with the activities of the internal audit function, if applicable;
 - (xi) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (A) a discussion of any major issues which arose during the audit;
 - (B) any accounting and audit judgements; and
 - (C) levels of errors identified during the audit;
 - (xii) 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; and
 - (xiii) ensuring the annual audit is effective, objective, independent, appropriately priced and of a high quality;
- (c) report formally to the Board on proceedings after each meeting on all matters within its duties and responsibilities;
 - (b) make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
 - (c) monitor and review, in discussion with the auditors, the preparation and integrity of the financial statements, including the half-year financial statements and annual accounts and reports to shareholders and any other public announcement concerning the Company's financial position;
 - (d) ensure the Company has an adequate process for approving market announcements and making these available to Board members for review and comment;
 - (e) keep under review the consistency of accounting policies both on a year-to-year basis and across the Company;
 - (f) discuss problems, reservations and recommendations arising from audits and any matters the external auditors may wish to discuss (in the absence of executive directors and other management, where necessary);
 - (g) advise the Board, independently from the executive directors and the external auditors, whether it considers the Company's corporate reporting, including the annual report and accounts, to be fair, balanced, and understandable;
 - (h) report on any significant reporting and risk issues, including estimates and judgements made in connection with the preparation of the Company's annual report and accounts;
 - (i) communicate and engage effectively with shareholders on the extent of the Committee's activities;
 - (j) review any representation letter(s) requested by the external auditors before they are signed by management and the external auditors' management letter and response;

- (k) monitor and review the internal audit programme (or where there is no internal audit function, consider annually whether there is a need for an internal audit function and/or a head of internal audit and make recommendations to the Board), ensure co-ordination between the internal and external auditors, and ensure that the internal audit function, if applicable, is adequately resourced and has appropriate standing within the Group;
- (l) keep under review and challenge where necessary the Company's financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- (m) review the effectiveness of the Company's internal control system and to review any statement on internal control, risk management, including the assessment of principal risks and emerging risks to be included in the directors' report before submission to the Board for its approval;
- (n) review the adequacy and security of the Company's arrangements for its contractors, employees and external parties to raise concerns in confidence about possible wrongdoing in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action;
- (o) ensure that the Company's corporate reporting and risk management processes address relevant non-financial matters, as well as financial matters;
- (p) review the Company's procedures for detecting fraud;
- (q) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (r) consider the major findings of internal investigations and management's response;
- (s) have access to sufficient resources in order to carry out its duties, including access to the Secretary of the Company for assistance as required;
- (t) 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; and
- (u) consider other topics, as requested by the Board.

14. **The Committee**

- 14.1 The Committee shall, at least once a year, 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.
- 14.2 The Committee shall make available its terms of reference for inspection at the registered office of the Company and on the Company's website.

15. **General**

- 15.1 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.
- 15.2 The Committee shall give due consideration to all relevant laws and regulations, the provisions of the QCA Corporate Governance Code and published guidance, the requirements of the AIM

Rules for Companies and the Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate

15.3 Any of the terms set out in this document may be varied by a majority resolution of the Board.

Adopted at a meeting of the Board held on 15 December 2021.