

Tristel plc

Terms of Reference
for the Audit Committee

Tristel plc (the “Company”)

Terms of Reference for the Audit 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 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. A majority of the members of the Committee shall be independent non-executive directors of the Company at least one of whom shall have recent relevant financial experience.

2.2 The Chairman of the Committee shall be appointed by the Board and shall not be the Chairman of the Board.

2.3 The Committee may at each meeting appoint one of their number to be the Secretary of the Committee, if no secretary is appointed the Chairman of the Committee will be deemed to also be the Secretary.

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 further periods of up to three years, 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. Attendance at Meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, Finance Director, other directors, Company Secretary 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.
- 3.2 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.

4. Proceedings at Meetings

- 4.1 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 and 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.
- 4.2 Meetings may be held by telephone.
- 4.3 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 or any appointed deputy, the remaining members present shall elect one of their number to chair the meeting.

5. Frequency of Meetings

Meetings shall be held at least two times in each financial reporting period at the time of the interim and year end financial statements and at such other times as the Chairman of the Committee shall require. The external auditors may request a meeting if they consider that one is necessary.

6. Notice of Meetings

- 6.1 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.
- 6.2 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.

7. **Minutes of Meetings**

7.1 The Secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

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

8. **Annual General Meeting**

The Chairman of the Committee shall attend the annual general meeting of the Company and be available to answer shareholder questions on the Committee's activities.

9. **Authority**

9.1 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.

9.2 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.

10. **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) reviewing the effectiveness of the audit;
- (b) report formally to the Board on proceedings after each meeting on all matters within its duties and responsibilities;
- (c) make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- (d) monitor and review, in discussion with the auditors, the 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 which has not previously been reviewed by the Board or a committee of the Board before submission to the Board;
- (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) review any representation letter(s) requested by the external auditors before they are signed by management and the external auditors' management letter and response;
- (h) 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 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;
- (i) keep under review and challenge where necessary the effectiveness and adequacy of the Company's internal financial controls, and, unless expressly

addressed by a separate Board risk committee composed of independent directors, or by the Board itself, to review the Company's internal control and risk management systems;

- (j) review the effectiveness of the Company's internal control system and to review any statement on internal control and risk management to be included in the directors' report before submission to the Board for its approval;
- (k) review arrangements by which employees of the Company may, in confidence, raise concerns about possible improprieties 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;
- (l) review the Company's procedures for detecting fraud;
- (m) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (n) consider the major findings of internal investigations and management's response;
- (o) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- (p) 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
- (q) consider other topics, as requested by the Board.

11. **The Committee**

- 11.1 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.
- 11.2 The Committee shall make available its terms of reference for inspection at the registered office of the Company.

12. **General**

- 12.1 The recommendations of the Committee minutes must be approved by the Board before they can be implemented.
- 12.2 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