

**EUROCELL PLC**  
**AUDIT AND RISK COMMITTEE**  
**TERMS OF REFERENCE**

**1. PURPOSE**

The purpose of the Committee is to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles, including risk management, set out in the UK Corporate Governance Code 2018 (the "Code"), and to maintain an appropriate relationship with the Company's auditors, as required by section 4 of the Code.

**2. CONSTITUTION AND MEMBERSHIP**

2.1 The Audit and Risk Committee has been established as a committee of the Board by resolution of the Board.

2.2 The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Audit and Risk committee. The Committee shall comprise at least two members, all of whom shall be independent non-executive directors. The Chair of the Board may not be a member of the Committee. At least one member of the Committee should have significant, recent and relevant financial experience with competence in accounting and/or auditing, ideally with a professional qualification from one of the professional accountancy bodies. The Committee, as a whole, should have competence relevant to the Company's sector.

2.3 The Chair of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. In the absence of the Chair of the Committee, the members present shall select one of their fellow committee members to chair the meeting.

2.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

2.5 The Committee shall nominate one of its members, or the Company Secretary, to act as secretary of the Committee who will ensure the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

**3. ATTENDANCE**

3.1 Only members of the Committee have the right to attend the meeting. The Committee shall invite a representative of the external auditors and the head of the internal audit function to attend meetings of the Committee on a regular basis. In each year, the Committee should have at least one meeting, or part of a meeting, with the external auditors without management being present.

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- 3.2 The Committee may request the Chair of the Board, CEO, CFO, other directors, the heads of risk, compliance and internal audit, representatives from the finance function and any relevant senior management to attend meetings of the Committee, either regularly or by invitation, but such invitees have no right of attendance.
- 3.3 The Committee shall meet the head of internal audit at least once a year without management being present. In addition the head of the internal audit function shall have the right of direct access to the Chair of the Committee.
4. **MEETINGS**
- 4.1 The Committee will meet at least three times each year at appropriate intervals, having regard to the Company's financial reporting and audit cycle, and at such other times as the Chair of the Committee shall think fit.
- 4.2 Meetings of the Committee will be arranged to tie in with the publication of the Company's financial statements. Meetings should be held at least five working days prior to any Board meeting at which accounts or financial statements are to be approved, unless all the members of the Committee agree otherwise.
- 4.3 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chair of the Committee, or at the request of external or internal auditors if they consider it necessary.
- 4.4 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all relevant papers, should normally be circulated to each member of the Committee, to any other person required to attend, and to all other non-executive directors, at least five days prior to the date of the meeting.
- 4.5 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 4.6 The quorum for meetings of the Committee shall be two members at least one of whom has significant recent and relevant financial experience and competence in accounting and/or auditing.
- 4.7 Outside of the formal meeting programme, the Committee Chair, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the company's governance, including the Chair of the Board, the CEO, the CFO, the external audit lead partner and the head of internal audit.
- 4.8 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, the Chair of the Committee will have a second or casting vote.

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**5. REPORTING**

- 5.1 Sufficient time should be allowed after committee meetings for the Committee to report to the Board on the nature and content of discussion, on recommendations, and on actions to be taken. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, and to the Company Secretary unless, in the opinion of the Committee Chair, it would be inappropriate to do so.
- 5.2 The Chair of the Committee shall report formally to the Board of the Company on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report on how it has discharged its responsibilities. Where appropriate, this report shall include:
- 5.2.1 the significant issues that it considered in relation to the financial statements (required under **paragraph 6.1.1**) and how these were addressed;
  - 5.2.2 its assessment of the effectiveness of the external audit process (required under **paragraph 6.6**) the approach taken to 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; and
  - 5.2.3 any other issue on which the Board had requested the Committee's opinion.
- 5.3 The Chair of the Committee or, as a minimum, another member of the Committee, shall attend the Board meeting at which the Company's accounts are approved.
- 5.4 The Committee shall make whatever recommendations to the Board that it deems appropriate on an area within its remit where action or improvement is needed.
- 5.5 The Committee shall prepare a report on its activities to be included in the Company's annual report and accounts.
- 5.6 The report shall include an explanation of how the Committee has addressed:
- 5.6.1 the effectiveness of the external audit process;

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5.6.2 the significant issues that the 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

5.6.3 all other information requirements set out in the Code.

5.6.4 In compiling the reports referred to in 5.2 and 5.5, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

5.7 The Chair of the Committee should be present at the Company's AGM to respond to questions on matters within the responsibility of the Committee.

**6. DUTIES OF THE COMMITTEE**

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

**6.1 Financial Statements**

6.1.1 The Committee shall monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements contained in them having regard to matters communicated to it by the auditor.

6.1.2 In particular, the Committee shall review and challenge where necessary:

6.1.2.1 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/group;

6.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

6.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

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- 6.1.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made;
  - 6.1.2.5 significant adjustments resulting from the audit;
  - 6.1.2.6 the going concern assumption;
  - 6.1.2.7 compliance with accounting standards;
  - 6.1.2.8 compliance with stock exchange and other legal requirements;
  - 6.1.2.9 all material information presented with the financial statements, such as the strategic report, viability statement and the corporate governance statement relating to the audit and to risk management; and
  - 6.1.2.10 wherever practicable (and/or where required by any law or regulation), the Committee shall, in the first instance, review any other statements which contain financial information, for which Board approval is required.
- 6.1.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company it shall report its views to the Board.

#### **6.2 Narrative reporting**

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the board on 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 those matters that are required under the Code.

#### **6.3 Internal Control and Risk Assessment Systems**

The Committee shall

- 6.3.1 keep under review the adequacy and effectiveness of the Company's internal financial reporting and internal control policies and systems, covering all material controls, including financial, operational and compliance controls, and the Company's procedures for the

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identification, assessment, management and reporting of risks, including emerging risks; and

- 6.3.2 review and approve the statements to be included in the annual report concerning internal controls, risk management and the Viability statement.

**6.4 Compliance, Whistleblowing and Fraud**

The Committee shall:

- 6.4.1 review the adequacy and security of the Company's arrangements for its employees and contractors 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;
- 6.4.2 review the Company's procedures for detecting fraud;
- 6.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 6.4.4 review annually the Company's policies and procedures in respect of distributions, distributable reserves, tax and treasury matters.

**6.5 Internal Audit**

The Committee shall:

- 6.5.1 approve the appointment or termination of appointment of the head of the internal audit function or firm providing internal audit services, where the function is outsourced;
- 6.5.2 review and approve the remit of the internal audit function and ensure it has the necessary resources and unrestricted access to information to enable it to fulfil its mandate and is equipped to perform in accordance with the appropriate professional standards for internal auditors;
- 6.5.3 ensure that the internal auditor has direct access to the Chair of the Board and to the committee chairs and is accountable to the Committee;

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- 6.5.4 review and assess the annual internal audit plan to ensure it is aligned with the key risks of the business;
- 6.5.5 receive a report on the results of the internal auditor's work on a periodic basis;
- 6.5.6 review and monitor management's responsiveness to the internal auditor's findings and recommendations,
- 6.5.7 support the effective working of the internal audit function;
- 6.5.8 meet the head of internal audit (or engagement partner of the firm responsible for providing internal audit services, where the function is outsourced) at least once a year, without management being present to discuss the effectiveness of the function; and
- 6.5.9 monitor and review the effectiveness of the Company's internal audit function (or outsourced internal function if applicable) in the context of the Company's overall risk management system;
- 6.5.10 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
- 6.5.11 monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management systems and the work of compliance, finance and the external auditor; and
- 6.5.12 consider whether an independent, third party review of processes is appropriate.

**6.6 External Audit**

The Committee shall:

- 6.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 6.6.2 ensure that the external audit contract is put out to tender at least every 10 years and is rotated at least every 20 years, and to oversee the tender process;

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- 6.6.3 develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 6.6.4 if an auditor resigns investigate the issues leading to this and decide whether any action is required;
- 6.6.5 oversee the relationship with the external auditor including (but not limited to):
  - 6.6.5.1 approving their remuneration, including fees for both audit or non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - 6.6.5.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 6.6.5.3 assessing annually their independence and objectively taking into account relevant UK professional and regulatory requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to those threats and the provision of any non-audit services;
  - 6.6.5.4 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) which could adversely affect the auditors independence and objectivity;
  - 6.6.5.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor's, taking into account ethical standards and legal requirements, and monitoring the implementation of this policy;
  - 6.6.5.6 monitoring the auditor's processes for maintaining independence, its compliance with relevant ethical and professional guidance including the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;



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- 6.6.5.7 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 6.6.5.8 as part of assessing the effectiveness of the audit process annually, matters which may be considered include:
  - (a) reviewing whether the external auditor has met the agreed audit plan and understand the reasons for any changes;
  - (b) considering the robustness and perceptiveness of the external auditors in their handling of key accounting and audit judgements identified;
  - (c) obtaining feedback about the conduct of the audit from key employees engaged in the process; and
  - (d) reviewing and monitoring the content of the external auditor's management letter and establishing whether recommendations have been acted upon and if not, the reasons why they have not been acted upon;
- 6.6.5.9 seeking to ensure co-ordination with the activities of the internal audit function; and
- 6.6.5.10 evaluating the risks to the quality and effectiveness of the financial reporting process, in the light of the external auditor's communications with the Committee, and consideration of the need to include the risk of withdrawal of their auditor from the market in that evaluation;
- 6.6.6 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 6.6.7 discuss with the external auditors the factors that could affect audit quality and review and approve the annual audit plan and ensure that

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it is consistent with the scope of the audit engagement, having regard to seniority, expertise and experience of the audit team; and

- 6.6.8 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 6.6.8.1 a discussion of any major issues which arose during the audit;
  - 6.6.8.2 key accounting and audit judgements;
  - 6.6.8.3 levels of errors identified during the audit;
  - 6.6.8.4 the auditor's explanation of how the risks to audit quality were addressed;
  - 6.6.8.5 the auditor's view of their interactions with senior management; and
  - 6.6.8.6 the effectiveness of the audit.

The Committee shall also:

- 6.6.9 review any representation letter(s) requested by the external auditor before they are signed by management;
- 6.6.10 review the management letter and management's response to the auditor's findings and recommendations;
- 6.6.11 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee; and
- 6.6.12 develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the external auditors, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
  - 6.6.12.1 threats to the independence and objectivity of the external auditor and any safeguards in place;

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- 6.6.12.2 the nature of the non-audit services;
- 6.6.12.3 whether the external audit firm is the most suitable supplier of the non-audit service;
- 6.6.12.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
- 6.6.12.5 the criteria governing compensation.

**7. OTHER MATTERS**

The Committee shall:

- 7.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 7.2 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;
- 7.3 give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 7.4 be responsible for co-ordination of the internal and external auditors;
- 7.5 oversee any investigation of activities which are within its terms of reference
- 7.6 work and liaise as necessary with all other board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- 7.7 arrange for a formal and rigorous annual evaluation of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

**8. AUTHORITY**

The Committee is authorised to:

- 8.1 seek any information it requires from any employees or officers in order to perform its duties;

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- 8.2 obtain, at the Company's expense, expert independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 8.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 8.4 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.

These terms of reference were adopted by resolution of the Board passed on 3 March 2015, and amended by resolutions of the Board on 6 December 2016, 6 December 2017, 5 December 2018 and 5 December 2019.