

**SOFTCAT PLC**  
**(the "Company")**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

<b>Chair:</b>	Robyn Perriss
<b>Members:</b>	Vin Murria Karen Slatford
<b>Attendees:</b>	Martin Hellowell
<b>Frequency of Meetings:</b>	At least four meetings per annum in line with the Company's financial reporting timetable.

**1. CONSTITUTION**

The meetings and proceedings of the Audit Committee (the "**Committee**") are governed by the Terms of Reference set out below which were adopted by the board of directors (the "**Board**") on 19 May 2021.

**2. OBJECTIVES**

The primary objective of the Committee is to assist the Board in overseeing the systems of internal control and external financial reporting of the Company. It performs this role by ensuring that:

- (a) the external and internal audit arrangements are appropriate and effective;
- (b) the compliance arrangements are appropriate and effective;
- (c) fraud prevention and whistleblowing arrangements are established which minimise potential for fraud and financial impropriety; and
- (d) the annual report and accounts, related internal control disclosures and any other publicly available financial information are reviewed and scrutinised.

**3. MEMBERSHIP**

3.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chair of the Committee (the "**Committee Chair**").

3.2 All members of the Committee shall be independent non-executive directors. At least one member shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The chair of the Board shall not be a member of the Committee but may be invited to attend meetings of the Committee as and when appropriate. The Committee as a whole shall have competence relevant to the sector in which the company operates.

3.3 Only members of the Committee have the right to attend Committee meetings. However, the external auditor, Chief Executive and Chief Financial Officer will be invited to attend meetings of the Committee on a regular basis and the chair of the Board and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

3.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

3.5 The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

4. **SECRETARY**

The Company Secretary, or his or her nominee, shall act as the secretary of the Committee (the "**Committee Secretary**") and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

5. **QUORUM**

5.1 The quorum necessary for the transaction of business shall be two members.

5.2 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.

5.3 The Committee may hold meetings by telephone or using any other method of electronic communication whereby the participants are able to communicate effectively with each other, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the Committee Chair.

6. **FREQUENCY OF MEETINGS**

6.1 The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

6.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

7. **NOTICE OF MEETINGS**

7.1 Meetings of the Committee shall be convened by the Committee Secretary at the request of any of its members or at the request of the external audit lead partner or head of internal audit if they consider it necessary.

7.2 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 to each member of the Committee, any other person required or invited to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall, wherever practicable, be sent to Committee members and to other attendees as appropriate, at the same time.

7.3 Shorter notice and/or late submission or circulation of supporting papers will be permitted at the discretion of the Committee Chair.

7.4 Supporting papers may be circulated electronically or in hard copy as circumstances permit.

8. **MINUTES OF MEETINGS**

8.1 The Committee Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance and, if applicable, the existence of any conflict of interest.

- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee.

9. **ENGAGEMENT WITH SHAREHOLDERS**

The Committee chair should attend the annual general meeting ("**AGM**") to answer shareholder questions on the Committee's activities. In addition the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

10. **DUTIES**

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

10.1 **Financial reporting**

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to the matters communicated to it by the Company's external auditor.
- (b) In particular, the Committee shall review and challenge where necessary:
- (i) the application of significant accounting policies and any changes to them
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (iv) the appropriateness of the going concern statement to be made by the Board; the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
  - (v) all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit and to risk management; and
  - (vi) assumptions and scenarios (including access to liquidity and relevant time periods) in respect of viability and going concern assessments.
- (c) The Committee shall review any other statement requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation.
- (d) 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.

10.2 **Narrative reporting**

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 performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code (the "**Code**").

### 10.3 **Internal controls and risk management systems**

The Committee shall:

- (a) monitor and keep under review the adequacy and effectiveness of 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 Board's statements to be included in the annual report concerning:
  - (i) internal controls and risk management;
  - (ii) its assessment of the principal risks and emerging risks facing the Company and how they are managed and mitigated; and
  - (iii) its assessment of the Company's prospects and its expectations as to the Company's viability;
- (c) review and approve the Board's statements to be included in the annual report and half-yearly report concerning the adoption of the going concern basis of accounting and the identification of any material uncertainties in the Company's ability to continue to do so;
- (d) review the policies and overall process for identifying and assessing business risks and managing their impact on the Company;
- (e) review regular assurance reports from management, internal audit, external audit and others on matters related to risk and control; and
- (f) review the timeliness of, and reports on, the effectiveness of corrective action taken by management.

### 10.4 **Compliance, whistleblowing and fraud**

The Committee shall:

- (a) 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;
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery, its code of corporate conduct/business ethics and its policies for ensuring that the Company complies with relevant regulatory and legal requirements and to receive reports on non-compliance and consider appropriate action;
- (d) review the adequacy and effectiveness of the Company's anti-money laundering systems and controls and receive reports of any breaches or other areas of concern; and

- (e) consider and advise the Board regarding the steps which have been taken to secure compliance by the Company with the FCA rules.

#### 10.5 **Internal audit**

The Committee shall:

- (a) monitor and assess the role and effectiveness of the Company's internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor;
- (b) approve the appointment or termination of appointment of the head of internal audit, or the relevant outsourcing partner if the Committee determines that the internal audit function should be outsourced;
- (c) review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- (d) review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- (e) ensure the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- (f) ensure the internal auditor has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and is accountable to the Committee;
- (g) carry out an annual periodic assessment of the effectiveness of the internal audit function and as part of this assessment:
  - (i) meet with the head of internal audit, without the presence of management to discuss the effectiveness of the function;
  - (ii) review and assess the annual internal audit work plan;
  - (iii) receive a report on the results of the internal auditor's work;
  - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
  - (v) review and monitor management's responsiveness to, and actions taken from, the internal auditor's findings and recommendations.
- (h) consider whether an independent third party review of processes is appropriate.

#### 10.6 **External Audit**

The Committee shall:

- (a) 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;
- (b) develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code, regulatory requirements and best practice,

ensuring tendering firms have access to all necessary information and individuals during the tendering process;

- (c) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditor including (but not limited to):
  - (i) approval of their remuneration, including both fees for audit and non-audit services, 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;
- (e) assess annually the external auditor's independence and objectivity taking into account relevant ethical and professional standards and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- (f) satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
- (g) develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior 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:
  - (i) threats to the independence and objectivity of the external auditor and any safeguards in place;
  - (ii) the nature of the non-audit services;
  - (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
  - (iv) the fee for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - (v) the criteria governing compensation.
- (h) agree with the Board a policy on the employment of former employees of the Company's external auditor, taking into account ethical standards and legal requirements, and monitor the implementation of this policy;
- (i) monitor the external auditor's processes for maintaining independence, its compliance with relevant ethical and professional guidance on the rotation of audit partner;
- (j) monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements and guidance;

- (k) assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (l) seek to ensure co-ordination with the activities of the internal audit function;
- (m) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- (n) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (o) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (p) review any analyst presentations to be made relating to the annual and half-yearly report; and review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - (i) a discussion of any major issues which arose during the audit;
  - (ii) the auditor's explanation of how the risks to audit quality were addressed;
  - (iii) the auditor's view of their interactions with senior management;
  - (iv) key accounting and audit judgements;
  - (v) levels of errors identified during the audit; and
  - (vi) the basis for the going concern assumption.
- (q) review any representation letter(s) requested by the external auditor before they are signed by management;
- (r) review the management letter and management's response to the external auditor's findings and recommendations; and
- (s) 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 for the Committee.

## 11. **REPORTING RESPONSIBILITIES**

- 11.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within the Committee's duties and responsibilities and shall also formally report to the Board on how the Committee has discharged its responsibilities. This report shall include:
- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 10.1(a)) and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process (required under paragraph 10.6(k), 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

- (c) any other issues on which the Board has requested the Committee's opinion.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the Committee, including:
- (a) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
  - (b) an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
  - (c) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded, having regards to matters communicated to it by the auditor and all other information requirements set out in the Code; and
  - (d) any statement of compliance required by law or regulations.
- 11.4 In compiling the reports referred to in 11.1 and 11.3, 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 should provide cross-references to that information.

## 12. **OTHER MATTERS**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat 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 on-going basis for all members;
- (c) give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its Terms of Reference;
- (f) work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- (g) arrange for periodic reviews 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 for approval.

13. **AUTHORITY**

The Committee is authorised to:

- (a) seek any information it requires from any employee of the Company, contractor, consultant or other provider of services to the Company (including legal and tax advisors) in order to perform its duties;
- (b) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so within its Terms of Reference;
- (c) call any employee, contractor, consultant or other provider of services to be questioned at a meeting of the Committee as and when required; and
- (d) 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 recommendations 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.