

**SYNECTICS PLC (THE “COMPANY”)
TERMS OF REFERENCE FOR THE AUDIT COMMITTEE (THE “COMMITTEE”)
APPROVED BY THE BOARD 6 JULY 2023**

1. Constitution

- 1.1. The Board established a Committee of the Board to be known as the Audit Committee and has approved these terms of reference for the Committee.

2. Membership

- 2.1. The Committee shall consist of not less than two members all of whom shall be independent non-executive directors, and at least one of whom shall have recent and relevant financial experience.
- 2.2. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.3. Members of the Committee shall be appointed by the Board, in consultation with the Chair of the Committee.
- 2.4. The Chair of the Committee shall be appointed by the Board. In the absence of the Committee Chair, the remaining members shall elect one of themselves to chair the meeting.
- 2.5. The Chair of the Board should not be a member of the Committee.

3. Secretary

- 3.1. The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee 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.

4. Frequency of meetings

- 4.1. The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle, and otherwise as required.
- 4.2. The external auditor shall normally attend two meetings each year.
- 4.3. Outside of the formal meetings, the Committee Chair shall maintain a dialogue with key individuals involved in the Company’s corporate governance, including but not limited to the Chair of the Board, Chief Executive, Finance Director, Company Secretary, Head of Finance and the external audit lead partner.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members.
- 5.2. 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 to attend no later than five working days before the date of the meeting.

6. Quorum

- 6.1. A quorum for the purposes of a duly convened Committee meeting shall be two members.

7. Attendance at meetings

- 7.1. Only members of the Committee have the right to attend Committee meetings. However, Executive Directors, the Chair of the Board and the external auditor may be invited to attend Committee meetings on a regular basis. Members of senior management may also be invited to attend all or any part of any Committee meetings as and when appropriate and necessary.

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8. Minutes of meetings

- 8.1. The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.
- 8.2. The secretary shall circulate the minutes of Committee meetings to all members of the Board in a timely manner. Once approved, minutes should be circulated to all other members of the Board unless, exceptionally, it would be inappropriate to do so.

9. Engagement with shareholders

- 9.1. The Committee Chair should attend the Annual General Meeting of the Company to answer shareholder questions on the Committee’s activities.
- 9.2. In addition, through the Chair of the Board, the Committee should seek engagement with shareholders on significant matters in relation to their area of responsibility.

10. Duties

The Committee should carry out the duties below for the Company and its subsidiaries (together the “Group”) as appropriate:

10.1. Financial reporting

10.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, 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 matters communicated to it by the external auditor.

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

- 10.1.2.1. the consistency of, and any changes to, significant accounting policies within the Group;
- 10.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
- 10.1.2.3. whether the company has followed appropriate accounting standards and made proper estimates and judgements, taking into account the external auditor’s views;
- 10.1.2.4. the clarity and completeness of information presented within the financial reports and the context in which the statements are made, and
- 10.1.2.5. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and risk management.

10.1.3. 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.

10.2. Narrative reporting

Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board 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.

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10.3. Internal controls and risk management systems

The Committee shall:

- 10.3.1. keep under review the Group’s internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control risk management systems, and
- 10.3.2. review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

10.4. Compliance, whistleblowing and fraud

The Committee shall:

- 10.4.1. review the adequacy and security of the Group’s whistleblowing 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;
- 10.4.2. review the Group’s procedures for detecting fraud; and
- 10.4.3. review the Group’s systems and controls for the prevention of bribery and receive reports on non-compliance.

10.5. Internal audit

The Committee shall:

- 10.5.1. review and approve the scope of the internal audit activities and resources, including the necessity of an internal audit function;
- 10.5.2. review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business; and
- 10.5.3. periodically review the internal audit work carried out and management’s responsiveness to findings and recommendations.

10.6. External audit

The Committee shall:

- 10.6.1. review and recommend to the Board the appointment, re-appointment or removal of the external auditor, to be put to shareholders for approval at the Annual General Meeting.
- 10.6.2. ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 10.6.3. investigate and report to the Board where there is a resignation or dismissal of the external auditor.
- 10.6.4. oversee the relationship with the external auditor including (but not limited to):
 - 10.6.4.1. recommendations on 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;

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- 10.6.4.2. approving the terms of their engagement, including any engagement letter issued at the start of each external audit and the scope of the audit;
- 10.6.4.3. assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements, and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- 10.6.4.4. satisfying itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor’s independence and objectivity;
- 10.6.4.5. agreeing with the Board a policy on the employment of former employees of the Company’s external auditor, and monitoring the implementation of this policy;
- 10.6.4.6. monitoring the external auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, level of fees paid by the Company compared to the overall fee income of the firm, and other related requirements; and
- 10.6.4.7. assessing 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;
- 10.6.5. 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 without management present, to discuss the auditor’s remit and any issues arising from the audit;
- 10.6.6. review and approve the annual external audit plan and ensure it is consistent with the scope of the audit engagement;
- 10.6.7. review the findings of the audit with the external auditor. This shall include but not be limited to:
 - 10.6.7.1. a discussion of any major issues which arose during the audit;
 - 10.6.7.2. key accounting and audit judgements;
 - 10.6.7.3. levels of errors identified; and
 - 10.6.7.4. the effectiveness of the audit process.

The Committee shall also:

- 10.6.8. review any representation letter(s) requested by the external auditor before they are signed by management;
- 10.6.9. review the management letter and management’s response to the external auditor’s findings and recommendations; and
- 10.6.10 develop, implement and monitor a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence.

11. Reporting

- 11.1 The Chair of the Committee shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report to the Board on how it has discharged its responsibilities.

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- 11.2 The Committee shall make whatever recommendations to the Board that it deems appropriate on any area within its remit where action or improvement is needed, and adequate time should be available for Board discussion when necessary.
- 11.3 The Committee shall compile a report on its activities to be included in the Company’s annual report, taking into account the content required to be disclosed by regulation, statute, accounting standards and corporate governance requirements.

12. Other matters

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required;
- 12.2 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;
- 12.3 give due consideration to all relevant laws and regulations, and any other relevant regulatory rules in force, as appropriate;
- 12.4 ensure that a periodic evaluation of the Committee’s own performance is carried out;
- 12.5 annually review the Committee’s terms of reference to ensure it is operating at maximum effectiveness and recommend any changes the Committee deems necessary or appropriate to the Board for approval;
- 12.6 liaise with all other Board committees, and
- 12.7 undertake other ad hoc duties or activities delegated by the Board from time to time.

13. Authority

The Committee is authorised by the Board to:

- 13.1 obtain, at the Company’s expense, outside legal or other professional advice on any matters within its terms of reference;
- 13.2 to seek any information or assistance it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.