

**BLME Holdings plc** ('BLMEH plc' or 'Company')

**BOARD AUDIT COMMITTEE ('Committee')**

**TERMS OF REFERENCE (as at 26<sup>th</sup> June 2020)**

**1. Appointment of Board Audit Committee**

This Committee is established under the Authority of the BLMEH plc Board to assist the Board in exercising its responsibilities for all aspects connected with the Company's internal control systems, compliance with legal and statutory requirements and the integrity of its financial statements, as more fully described in the provisions below.

The Articles of Association of BLMEH plc (the Articles) adopted by Special Resolution of the Board passed on 24<sup>th</sup> June 2013 and most recently adopted by special resolution passed on 26<sup>th</sup> June 2020, impose membership criteria and establish proceedings protocols (unless varied by way of Board Resolution) on both the Board and its Committees. Any such stipulations are reflected in these Terms of Reference which are intended to be fully compliant. Should any conflict arise between the Terms of Reference for this or any Committee established under the authority of the Board and the Articles, then the requirements of the Articles will take precedence.

**2. Purpose**

The Committee is responsible for:

- reviewing any reports from management, and the internal auditor regarding the internal control systems, compliance matters, financial matters and processes implemented throughout the BLMEH plc and any of its subsidiaries ("the Group") and from the external auditors regarding the accounts; and
- providing guidance and recommendations to the Board of BLMEH plc on all matters affecting the accuracy and appropriateness of the Company's financial statements, including the qualifications and role of its external auditors and the performance of the internal audit function, whether or not this is an outsourced function.

The Committee will work with the Board, the Sharia'a Supervisory Board, management, employees, external auditors and any professional advisors it deems necessary to ensure that all the statutory and regulatory reporting is submitted in an accurate and timely fashion and to assist with its other responsibilities.

**3. Membership**

The Committee will be appointed by the Board and will comprise at least 3 members including at least two independent Non-Executive Directors. The present membership of the Committee is as follows:

<b>Members:</b>			
Calum Thomson	Chairman	1 vote	Independent Non-Executive Director
Joanne Hindle	Deputy Chairman	1 vote	Independent Non-Executive Director
Bader Abdullah Al-Kandari		1 vote	Shareholder Non-Executive Director
Jabra Ghandour		1 vote	Shareholder Non-Executive Director
Maged Fanous		1 vote	Shareholder Non-Executive Director

Internal and External Auditors have an open invitation to attend Committee meetings. Other guests may attend, as invited by the Chairman.

If a meeting is not quorate then another Non-Executive Director may be co-opted as a member for that meeting so long as there is a voting majority of Independent Non-Executive Directors (i.e. by reason of absolute numbers or due to the Chairman's casting vote).

#### **4. Quorum, voting and conflicts of interest**

2 voting members of the Committee, including the Chairman or his Deputy, are required to constitute a quorum. The casting vote rests with the Chairman.

If any Committee member identifies any actual or potential conflict of interest affecting any Committee member, then the conflicted member shall not vote at a meeting of the Committee on any resolution concerning a matter in which he or she has, directly or indirectly, an interest and should also consider excusing themselves from discussion of such a matter.

#### **5. Chair**

The Chairman and the Deputy Chairman of the Committee will both be independent Non-Executive Directors.

Neither the Chairman of the Board nor former Executive Directors of the Company may serve as Chairman of the Committee.

#### **6. Frequency of Meetings**

The Committee will meet whenever required but at least quarterly and for any additional meetings at the request of the Chairman.

Annually the Chairman will establish for the forthcoming year:

- a) a schedule of meetings and advise members and standing guests; and
- b) an agenda of matters to be addressed.

#### **7. Secretary and Minutes**

The nomination of a secretary will be the responsibility of the Chairman.

Minutes of the proceedings and decisions of the Committee will be agreed and circulated promptly to its members, the Board and any other recipients identified by the Chairman. Action points will be assigned to named individuals for resolution and will be reviewed and updated on a regular basis.

The Chairman will be responsible for reporting the Committee deliberations and any recommendations to the subsequent Board meeting.

#### **8. Escalation**

Matters that are deemed to be outside the responsibilities of Audit Committee will be submitted to the Board for consideration.

#### **9. Powers and Responsibilities of Audit Committee**

The responsibilities and duties of the Committee will include the following:

#### Independent auditors

- Oversee and recommend to the Board the level of retainers, remuneration and any other contractual fee arrangements paid to auditors and advisers to the Committee.
- Making a recommendation to the Board for the appointment or re-appointment of the external auditors' award of contract to audit the Annual Report & Accounts and the Board Agreement on the auditor's fees together with the necessary supporting resolutions for shareholder approval.
- Reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process.
- Reviewing the management letter and management's response to the external auditors findings and recommendations

#### Financial statements

- Monitoring the integrity of the financial statements and any formal announcements relating to financial performance and reviewing significant financial reporting judgments contained in them.
- Reviewing the accounting policies, including for any outsourced activities or joint venture operations in whatever geographic location.
- Dealing with issues of accounting, tax and auditing of the Annual Accounts.
- Reviewing and recommending for approval by the Board both the Interim and Full Year Financial Statements and the associated Letter of Representation.

#### Internal Controls and risk management systems

- Reviewing with management and the Group external and internal auditors their assessment of the adequacy and the effectiveness of the internal controls, including the prevention or detection of management override or compromise of the internal control system.
- Reviewing the procedures for detecting fraud and money laundering and for handling and resolving any complaints that may be received.
- Having an overview of the regulatory and compliance environment, together with the scheduled reports to the relevant regulatory bodies, receiving periodic updates and reports on compliance matters and the ability to raise and escalate queries to the Board, as well as appraising it of any matters that are felt to be relevant.
- To approve the Compliance Monitoring Plans on an annual basis.
- Review any reports from the Sharia'a Supervisory Board (SSB), particularly ahead of inclusion of the SSB report in the Annual Report and Accounts.
- The Audit Committee will approve the appointment or termination of appointment of the Head of Internal Audit (Chief Internal Auditor).
- Ensuring that the Head of Internal Audit is of a senior enough level to have appropriate authority, standing and access to challenge the Executive.
- The primary reporting line for the Chief Internal Auditor will be to the Chair of the Audit Committee. The reporting line must avoid any impairment to Internal Audit's independence and objectivity.
- The Audit Committee will ensure that 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.
- Reviewing promptly reports and information submitted by the Internal Audit function and considering the adequacy of management's response to those reports.
- Internal Audit plans, and material changes to Internal Audit plans, will be approved by the Audit Committee. They will have the flexibility to deal with unplanned events to allow Internal Audit to prioritise emerging risks. The changes, to the audit plan will be considered in light of Internal Audit's ongoing assessment of risk.

- In undertaking a review of effectiveness of the Internal Audit function, the Audit Committee will confirm that it is satisfied that the quality, experience and expertise of the function are appropriate for the business. This appraisal will consider the independence, objectivity and tenure of the Chief Internal Auditor.
- The Chair of the Audit Committee will be responsible for recommending the remuneration of the Chief Internal Auditor to the Remuneration Committee. The remuneration of the Chief Internal Auditor and Internal Audit staff will be structured in a manner such that it avoids conflicts of interest, does not impair their independence and objectivity and will not be directly or exclusively linked to the short-term performance of the organisation.
- The Board or Audit Committee is responsible for evaluating the performance of the Internal Audit function on a regular basis. In doing so it will need to identify appropriate criteria for defining the success of Internal Audit. Delivery of the audit plan will not be the sole criterion in this evaluation.
- Reviewing and recommending to the Board any selection, contract and responsibilities for any outsourced internal audit function and ensuring the necessary processes are in place to monitor and review the performance thereof.
- Ensure on an annual basis that Internal Audit produce and distribute to the Committee, and relevant Risk Committees, an assessment of the overall effectiveness of the governance, risk and control frameworks, with analysis of themes/trends and their impact on organisation's risk profile.

#### Other

- The Chairman of the Committee will be represented at the Annual General Meeting to respond to shareholders questions on Committee activities.
- As necessary, accepting responsibility for establishing the selection criteria and recommending the appointment or removal of any advisors to the Committee and the Board, or external or outsourced internal auditors, including their terms of reference.
- To review the performance and Terms of Reference of the Committee annually to ensure it is operating effectively and produce an annual report of its activities and practices, together with any recommendations for improvement, for approval by the Board.
- Review the whistleblowing arrangements and the firm's policy with regard to it and recommend the policy for approval by the Board.
- Consider and make recommendations on any other issues as requested by the Board.
- Ensure that the Committee's activities are in accordance with the Sharia'a as interpreted by the Sharia'a Supervisory Board.

In the exercise of such responsibilities, the Committee has agreed that additional participants and information, as specified below, will provide further input to the deliberations of the Committee. These are:

- The external auditor will have at least once a year access to the Committee, without the presence of the management.
- The Committee will seek the considered input from the Executive Directors and management committees to clarify matters raised as concerns for action by Internal Audit.
- To ensure that the Internal Auditor, including a representative of the outsourced internal auditors, if any, will not only be a regular attendee at Committee meetings, but also have the right of access to the Chairman of the Committee whenever they consider this necessary and the right to attend and observe appropriate governing bodies, Executive Committee meetings (and other key management forums) and that they issue reports to these bodies where deemed relevant.

The Committee will take advantage of the input and advice offered by way of the deliberations of the Board Risk Committee and the close association and overlapping membership of the two Board Committees.