

ENQUEST PLC

(THE "COMPANY")

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (THE "COMMITTEE")

(Approved at a meeting of the board of directors (the "Board")
held on 13th March 2019)

1. TERMS OF REFERENCE TO BE MADE AVAILABLE

The Committee should make available these terms of reference explaining its role and the authority delegated to it by the Board. (The requirement to make this information available would be met by making such information available on request and including these terms of reference and such explanation on the Company website.)

2. MEMBERSHIP

2.1 The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Committee. The Committee shall be made up of at least 3 members.

2.2 All members of the Committee shall be independent non-executive directors. At least one member of the Committee should have recent and relevant financial experience. The chairman of the Board shall not be a member of the Committee.

2.3 Appointments to the Committee shall be for a period of up to three years, which may be extendable for two further three year periods, so long as members continue to be independent.

2.4 The Board shall appoint the Committee chairman who shall be an independent non-executive director. In the absence of the appointed chairman of the Committee and/or an appointed deputy, the remaining members shall elect one of their number to chair the meeting.

2.5 In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account.

3. SECRETARY

The Company secretary or their nominee shall act as the secretary of the Committee.

4. MEETINGS

4.1 **Frequency:** The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and at such other times as the chairman of the Committee shall require.

4.2 **Right to attend:** Only members of the Committee have the right to attend committee meetings. However, other individuals such as the chairman of the Board, chief executive, finance director, other directors, the head of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate. The external auditors will be invited to attend meetings of the Committee on a regular basis.

4.3 **Notice:** 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 they

consider it necessary. 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 invited to attend and all other non-executive directors no fewer than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

- 4.4 **Quorum:** The quorum necessary for the transaction of business shall be two members. 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.
- 4.5 **Minutes:** The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance. The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

4 ANNUAL GENERAL MEETING

The chairman of the Committee shall attend the Annual General Meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

5. DUTIES

The Committee members are reminded of the over-arching duties that they have as directors of the Company under the Companies Act 2006. In addition, they have the following specific duties as regards their membership of the Committee. The Committee should carry out these duties for the parent company, major subsidiary undertakings and the group as a whole, as appropriate. In carrying out these duties, members of the Committee may also choose to consult the Corporate Governance Code, DTR 7.1 and the Financial Reporting Council (FRC) Guidance. Copies of these documents, should members wish to consult them, can be obtained from the Company secretary.

5.1 Financial Reporting

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- (b) The Committee shall review and challenge where necessary:
- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

- (iv) the detailed going concern and longer-term viability analysis, including sensitivity analysis and stress testing, along with explanations and justifications for the key assumptions made;
 - (v) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - (vi) that Alternative Performance Measures (APMs) and non-financial information used in external publications and communications are compliant with FRC guidance; and
 - (vii) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- (c) The Committee shall review the content and integrity of the annual and interim financial statements and advise the Board on whether they are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy.
 - (d) The Committee shall review the annual financial statements of the pension funds where not reviewed by the Board as a whole.
 - (e) The Committee shall monitor and review the process of the assessment of the Group's proven and probable reserves by a recognised Competent Person.

5.2 **Internal Controls and Risk Management Systems**

The Committee shall:

- (a) keep under review the effectiveness of the Company's internal controls and risk management systems; and
- (b) review and approve the statements to be included in the Annual Report concerning internal controls and risk management.
- (c) review external bodies' communications and assess appropriateness of the Company's risk reporting. The Committee will ensure any letters from such bodies are properly addressed and any actions closed within the agreed timeframes.

5.3 **Whistleblowing and Fraud**

The Committee shall:

- (a) review the Company's arrangements for its employees 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; and
- (b) review the Company's procedures for detecting fraud.

5.4 **Internal Audit**

The Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function;

- (c) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;
- (e) review the effectiveness of the group's system of internal control and compliance procedures including appropriate assurance processes;
- (f) review promptly all reports on the Company from the internal auditors;
- (g) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (h) review significant litigation against the company and significant litigation commenced by the company against a third party;
- (i) review the Group's ethics policy as set out in the Code of Business Conduct and monitor compliance with the agreed policies; and
- (j) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the Board and to the Committee.

5.5 External Audit

- (a) The Committee shall:
 - (i) 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. 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;
 - (ii) consider the need to include the risk of withdrawal of their auditor from the market in their risk evaluation and planning;
 - (iii) consider and make recommendations to the Board on the periodic tender of audit services, required every ten years with mandatory audit firm rotation every 20 years;
 - (iv) oversee the relationship with the external auditor including (but not limited to):
 - (A) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (B) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (C) assessing annually their independence and objectivity taking into account relevant UK law, regulation and professional requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

- (D) 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);
 - (E) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (F) monitoring the 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;
 - (G) 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 control procedures; and
 - (H) seeking to ensure co-ordination with the activities of the internal audit function.
- (v) 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 their remit and any issues arising from the audit;
 - (vi) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - (vii) 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;
 - (C) levels of errors identified during the audit; and
 - (viii) obtain from the external auditor a memorandum describing such "relevant audit information" as may be required by the external auditor from time to time for the purposes of any statutory directors' statement in connection therewith, and institute such procedures as it sees fit to enable the directors to provide such statement.
- (b) The Committee shall also review the effectiveness of the audit and shall:
 - (i) review any representation letter(s) requested by the external auditor before they are signed by management;
 - (ii) review the management letter and management's response to the auditor's findings and recommendations; and
 - (iii) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

5.6 Reporting Responsibilities

- (a) The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall compile a report on its activities to be included in the Company's Annual Report.

5.7 **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 ongoing basis for all members;
- (c) give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the Financial Services Authority's Listing, Prospectus and Disclosure Rules and Transparency 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 and act as a court of the last resort; and
- (f) at least once a year, review its own performance and the performance of the functions it supports, the Committee's 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.

6. **AUTHORITY**

The Committee is authorised:

- 6.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 6.2 to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference when the Committee reasonably believes it necessary to do so; and
- 6.3 to call any member of staff to be questioned at a meeting of the Committee as and when required.