

**VINALAND LIMITED (VNL/Company)**

**AUDIT COMMITTEE (AC/Committee)**

**TERMS OF REFERENCE**

*(Approved by the Board on 20 July 2018)*

**1. Membership**

- 1.1 All members of the Committee shall be independent directors and shall be appointed by the Board.
- 1.2 At least one member should have significant, recent and relevant financial experience.
- 1.3 The Chairman of the Committee shall be appointed by the Board. In the absence of the Chairman of the Committee, the remaining members present shall elect one of themselves to chair the meeting. The Chairman of the Board can be a member of the Committee, provided he or she is an independent director, but cannot be Chairman of the Committee.

**2. Secretary**

- 2.1 The Secretary of the Company or their nominee shall act as the Secretary of the Committee.

**3. Quorum**

- 3.1 The quorum of the Committee is two (2) members.

**4. Attendance at Meetings**

- 4.1 Only members of the Committee have the right to attend Committee meetings. However, the Committee may invite other individuals such as other non-executive directors, CEO, COO, Finance Director, Head of Risk Compliance, other staff and consultants or external parties to attend all or part of any meeting where appropriate.
- 4.2 The External Auditor will be invited to attend meetings of the Committee on a regular basis.

**5. Notice of Meetings and Distribution of Papers**

- 5.1 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 and any person required to attend, no later than five (5) working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

**6. Frequency of Meetings**

- 6.1 The Committee will meet as and when required to consider its responsibilities, as set out below, but at least twice a year, with these two meetings being in conjunction with the half-yearly and annual results being discussed. Other meetings will be arranged when required.

- 6.2 The Company's Board and/or Audit Committee might recommend at any time that additional meetings of the Committee be held, for the purpose of considering any relevant matters.
- 6.3 If at any time the External Auditor shall request a meeting with the Committee, the Committee shall arrange such a meeting as soon as reasonably practicable.

## **7. Minutes of Meetings and Reports to Board**

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and those in attendance.
- 7.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless any conflicts of interest exist, and to other attendees as appropriate, at the same time.
- 7.3 The Chairman of the Committee shall report to the Board on the proceedings of each meeting and make recommendations to the Board where the Committee deems that action, approval or improvement is required.

## **8. Responsibilities of the Committee**

- 8.1 The Committee should carry out the duties set out in the sections below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

## **9. Financial Reporting**

- 9.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgments 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.
- 9.2 The Committee shall review and challenge where necessary :
  - 9.2.1 The consistency of, and any changes to, accounting policies both on a year to year basis and across the Company/Group;
  - 9.2.2 The methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.2.3 Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the External Auditor;
  - 9.2.4 Decisions requiring a significant element of judgment. In this context, the Committee should –

- 9.2.4.1 Ask the Manager to identify major items for which judgment and estimates are significant e.g. uncollectable accounts receivable, assets impairment and the fair valuation of financial instruments;
- 9.2.4.2 Consider whether provisions are adequate and the adequacy of disclosure;
- 9.2.5 The clarity of disclosure in the Company's financial reports and the context in which the statements are made;
- 9.2.6 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;
- 9.2.7 Significant adjustments resulting from the audit;
- 9.2.8 Transactions with related parties, particularly those that are not in the ordinary course of business and consider the adequacy of the disclosure of those transactions in the financial statements;
- 9.2.9 The going concern assumption;
- 9.2.10 Compliance with the AIM rules; and
- 9.2.11 Compliance with legal requirements.

## **10. External Audit**

### **10.1 The Committee shall :**

- 10.1.1 Consider and make recommendations to the Board, in relation to the appointment, performance, re-appointment and removal of the Company's External Auditor. The Committee shall overview the selection process for new External Auditor and if an External Auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 10.1.2 Oversee the relationship with the External Auditor including but not limited to :
  - 10.1.2.1 Approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate external audit to be conducted;
  - 10.1.2.2 Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the external audit;
  - 10.1.2.3 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 non-audit services;

- 10.1.2.4 Ensuring that the External Auditor discloses annually that engagement staff and immediate family members have no other relationships between the External Auditor and the Company, other than in the ordinary course of business;
- 10.1.2.5 Agreeing with the Board a policy on the employment of former employees of the External Auditor and then monitoring the implementation of this policy;
- 10.1.2.6 Seeking to ensure co-ordination with the activities of the internal audit function;
- 10.1.2.7 Considering the risk of the withdrawal of the present External Auditor from the market;
- 10.1.3 Meet regularly with the External Auditor, including once at the planning stage before the external audit and once after the audit at the reporting stage;
- 10.1.4 Meet the External Auditor at least once a year, without the Manager being present, to discuss their remit and any issues arising from the audit. In addition, the External Auditor shall be given the right of direct access to the Chairman of the Board and to the Committee;
- 10.1.5 Review and approve the annual external audit plan and ensuring that it is consistent with the scope of the audit engagement;
- 10.1.6 Review the findings of the external audit with the External Auditor. This shall include, but not be limited to, the following :
  - 10.1.6.1 Discussions on major issues which arose during the external audit;
  - 10.1.6.2 Any accounting and audit judgments; and
  - 10.1.6.3 Levels of errors identified during the audit.
- 10.2 The Committee shall also review the effectiveness of the external audit :
  - 10.2.1 Review the representation letter(s) requested by the External Auditor before they are signed by the Manager;
  - 10.2.2 Review the management letter and the Manager's response to the External Auditor's findings and recommendations; and
  - 10.2.3 Review the policy on the supply of non-audit services by the External Auditor, taking into account any relevant ethical guidance on the matter.

## **11. Internal Audit**

### **11.1 The Committee shall:**

- 11.1.1 Oversee the effectiveness of the Company's internal audit function in the

context of the Company's overall risk management system;

- 11.1.2 Consider and make recommendations to the Board, in relation to the appointment, performance, re-appointment and removal of the Company's Internal Auditor. The Committee shall overview the selection process for new Internal Auditor and if an Internal Auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 11.1.3 Oversee the relationship with the Internal Auditor, including but not limited to :
  - 11.1.3.1 Review of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate external audit to be conducted;
  - 11.1.3.2 Review of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the external audit;
  - 11.1.3.3 Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the Internal Auditor as a whole, including the provision of non-audit services;
  - 11.1.3.4 Review of any other engagements that the Internal Auditor is appointed to conduct;
- 11.1.4 Ensure that the Internal Auditor is supported and has appropriate access to information to conduct the engagement effectively and efficiently;
- 11.1.5 Review and approve the annual internal audit plan;
- 11.1.6 Review promptly all reports on the Company from the Internal Auditor;
- 11.1.7 Review and monitor the Manager's responsiveness to the findings and recommendations of the Internal Auditor; and
- 11.1.8 Meet regularly with the Internal Auditor, including once at the planning stage before the internal audit and once after the internal audit at the reporting stage; and
- 11.1.9 Meet the Internal Auditor at least once a year, without the Manager being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Internal Auditor shall be given the right of direct access to the Chairman of the Board and to the Committee.

## **12. Risk Responsibilities**

- 12.1 The Committee shall oversee the effectiveness of the risk management function throughout all areas of the Company. The Manager is responsible to identify, assess, monitor and mitigate the risks associated with the Company and its

objectives.

12.2 The Committee shall oversee the internal controls of the Company, including:

12.2.1 Review the internal audit reports and risk management reports and assess the effectiveness of the Company's internal controls and risk management systems;

12.2.2 Review and monitor the company's top risks facing the Company;

12.2.3 Ensure that the relevant controls and procedures are in place, internally and externally, for compliance with the statutory and regulatory requirements applying to the Company; and

12.2.4 Review the statement on internal controls and risk management in the Annual Report.

12.3 To receive from the Manager's Compliance Officer, regular reports and confirmation that the Manager has implemented policies to comply with the requirements of relevant legislation in respect of bribery and corruption, such as the UK Bribery Act, the US Foreign Corrupt Practices Act, etc., that apply to the Company, its Directors, and its staff and the steps that the Manager has taken to do so.

12.4 Receive from the Manager reports on the steps that have been taken to manage "Business Continuity Risks" being :

12.4.1 Crisis or emergency management planning; and

12.4.2 Business continuity planning.

12.5 Report to the Board on the risk factors affecting the Company and reinforce risk management as a key part of the Company's culture.

### **13. Corporate Governance**

13.1 The Committee shall review the Statement on Corporate Governance contained within the annual report and accounts and make appropriate recommendations to the Board.

### **14. Whistleblowing and Fraud**

14.1 The Committee shall review at least annually the Company's Whistleblower and Fraud policy and procedures for its employees, contractors and consultants to raise concerns, in confidence, about possible wrongdoings in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and follow up action.

### **15. Evaluation of Performances of Other Third Party Service Providers**

15.1 The Committee's obligations to review the performances of the External and Internal Auditors are set out above in 10.1.1 and 11.1.2 respectively.

15.2 The Committee shall review, at least annually, against their respective agreements, the performances of the following other third party service providers to the Company : –

15.2.1.1 Insurers; and

15.2.1.2 Tax advisors.

## **16. Reporting Responsibilities**

16.1 The Committee shall review and approve a report to shareholders on its activities to be included in the annual report.

## **17. Authority**

17.1 The Committee is authorised :

17.1.1 To seek any information it requires from any employee of the Company in order to perform its duties;

17.1.2 To call any employee to be questioned at a meeting of the Committee as and when required;

17.1.3 To obtain at the Company's expense outside legal or other independent professional advice and secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary, but such persons shall not be members of the Committee; and

17.1.4 In the event that any Director shall indicate to the Audit Committee that he requires, or has obtained, independent legal or other professional advice in relation to his duties as such a Director, the Audit Committee may authorise the obtaining at the Company's expense of such advice by such Director on such terms as the Audit Committee may think fit.

## **18. Other Matters**

18.1 The Committee shall :

18.1.1 At least once a year review its terms of reference and recommend any changes it considers necessary to the Board for approval;

18.1.2 At least once a year, review its own performance and constitution to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;

18.1.3 Review and approve the minutes of any meetings of the Audit Committee;

18.1.4 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance, as required;

18.1.5 Give due consideration to laws and regulations and the corporate governance guidelines of those countries in which the Company's shares

are traded;

18.1.6 Oversee any investigation of activities which are within its terms of reference; and

18.1.7 Consider such other matters as deemed appropriate.