

**JAMES FISHER AND SONS PUBLIC LIMITED COMPANY**

**AUDIT COMMITTEE**

**TERMS OF REFERENCE**

**re-approved 21 January 2021**

## **1. Constitution**

The Board ("the Board") of James Fisher and Sons Public Limited ("the Company") has established an Audit Committee ("the Committee").

## **2. Membership**

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee in consultation with the Chairman of the Audit 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 of whom shall have recent and relevant financial experience. The Committee as a whole should have competence relevant to the sector in which the Company operates. The Chairman of the Board shall not be a member of the Committee.
- 2.3 In order to perform their role effectively, each Committee member shall obtain an understanding of the detailed responsibilities of Committee membership as well as the Company's business operations and risks.
- 2.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Chairman of the Board, Chief Executive, Group Finance Director, other directors, internal auditor and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 2.5 The external auditors will be invited to attend meetings of the Committee.
- 2.6 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
- 2.7 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

## **3. Secretary**

The Company Secretary shall act as the Secretary of the Committee.

## **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.

## **5. Frequency of Meetings**

- 5.1 The Committee shall meet at least three times a year to coincide with the Company's financial reporting and audit cycle and otherwise shall meet as the Committee's role and responsibilities require
- 5.2 The external auditors may request a meeting if they consider it necessary.
- 5.3 Outside of the formal meetings of the Committee, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive Officer, the Group Finance Director, the external audit lead partner and the Head of Internal Audit.

## **6. Notice of Meetings**

- 6.1 Meetings of the Committee shall be convened 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.
- 6.2 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 and all other non-executive directors, no later than five 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.

## **7. Minutes of Meetings**

- 7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Where there is a conflict of interest and the Chairman of the Committee determines that it is material, he or she shall have the power to exclude that Committee member from discussions on that issue.
- 7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved, to all members of the Board, unless a conflict of interest exists.

## **8. Annual General Meeting**

The Chairman and other members of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **9. Roles and Responsibilities**

The roles and responsibilities of the Committee shall be:

### **9.1 Annual Reports and other periodic reports**

9.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, and shall review significant financial reporting issues and judgements which they contain.

9.1.2 The Committee shall review and challenge where necessary:

9.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;

9.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

9.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

9.1.2.4 the clarity, completeness and appropriateness of disclosure in the Company's financial reports and the context in which statements are made; including the going concern statement and the viability statement to be made by the Board; and

9.1.2.5 all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).

If the Committee is not satisfied with any aspect of the Company's proposed financial reporting it shall report its views to the Board.

### **9.2 Narrative reporting**

9.2.1 the Committee shall 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.

### **9.3 Internal Control and Risk Management Systems**

The Committee shall:

- 9.3.1 monitor and review on an on-going basis the effectiveness of the Group's risk management and internal control systems and receive from management reports and/or the internal auditor and/or external auditor any reports thereon thereon.
- 9.3.2 consider the level of assurance it is getting on the Company's risk management and internal control systems, including internal financial controls, and whether this is enough to help the Board in satisfying itself that they are operating effectively.

#### 9.4 Internal Audit

The Committee shall:

- 9.4.1 review and approve the remit of the internal audit function and ensure it has the scope, resources and 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;
- 9.4.2 review and assess the annual internal audit plan to ensure it is aligned to the key risks of the business;
- 9.4.3 review promptly all reports on the Company from the internal auditors;
- 9.4.4 review, monitor and assess the effectiveness of the internal audit function and meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
- 9.4.5 consider management's responsiveness to the findings and recommendations of the internal auditor and whether these properly support the effective working of the internal audit function; and
- 9.4.5 at least twice a year discuss with the Group Finance Director the scope of the internal audit programme and any issues arising from the internal audits carried out.

#### 9.5 External Audit

The Committee shall in accordance with the relevant laws and regulations in force from time to time:

- 9.5.1 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 initiate and supervise the tender 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;

9.5.2 ensure that the audit services contract is put out to tender at least once every ten years, or otherwise as appropriate or required:

9.5.3 oversee the relationship with the external auditors including:

9.5.3.1 negotiate and agree the statutory audit fee and the scope of the external audit ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;

9.5.3.2 to discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;

9.5.3.3 approve their terms of engagement, including any engagement letter issued at the start of each audit;

9.5.3.4 influence the appointment of the Audit engagement partner;

9.4.3.5 assess annually their independence and objectivity taking into account relevant professional and regulatory standards and requirements, and the relationship with the external auditor as a whole, including the provision of any non audit services;

9.5.3.6 satisfy 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);

9.5.3.7 monitor the auditor's compliance with relevant ethical and professional standards and guidance;

9.5.3.8 assess annually their performance, qualifications, expertise and resources and the effectiveness of the audit process.

9.5.3.9 provide information in the annual report on the length of tenure of the current audit firm and when a tender was last conducted;

9.4.3.10 issue a statement of compliance with the provisions of the Statutory Audit Services Order 2014, for inclusion in the Annual Report for each financial year.

- 9.5.4 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.
- 9.5.5 Review and approve the annual audit plan including significant areas of audit focus, planned levels of materiality and resources and ensure that it is consistent with the scope of the audit engagement.
- 9.5.6 Review the findings of the audit with the external auditor and explain in the annual report how that process has been carried out. This shall include but not be limited to the following:
- a discussion of any major issues which arose during the audit;
  - any accounting and audit judgements;
  - levels of errors identified during the audit; and
  - the effectiveness of the audit process.

The Committee shall also review the effectiveness of the audit process.

- 9.5.7 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 9.5.8 Review the management letter and management's response to the auditor's findings and recommendations.
- 9.5.9 Approve and recommend to the Board annually the Company's policy in relation to the provision of non-audit services by the external auditor and keep the policy under review. The Committee shall ensure that the policy is appropriate and that the supply of such services does not impair auditor independence or objectivity, taking into account all relevant ethical standards and legal requirements.

## 9.6 Reporting Responsibilities

The Committee shall formally report to the Board on how it has discharged its responsibilities. This report shall include:

- 9.6.1 The significant issues that it considered in relation to the financial statements and how these have been addressed.
- 9.6.2 Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the external auditors

## 9.7 Communication with shareholders

On behalf of the Committee the Chairman of the Committee shall prepare a report each year on the Committee's work in discharging its responsibilities for inclusion in the Annual Report. The Annual Report shall be approved by the Committee prior to the approval by the Board.

9.7.1 The Annual Report shall include:

- a summary of the role and work of the Committee;
- how the Committee composition requirements have been addressed, and the names and qualifications of all members of the Committee during the period;
- the number of Committee meetings;
- how the Committee's performance evaluation has been conducted;
- an explanation of how the Committee has assessed the effectiveness of the external audit process and of the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted; and advance notice of any retendering plans;
- if the external auditor provides non-audit services, the Committee's policy for approval of non-audit services; how auditor objectivity and independence is safeguarded; the audit fees for the statutory audit of the Company's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; explain what the services are and why the Committee concluded that it was in the interests of the Company to purchase them from the external auditor;
- an explanation of how the Committee has assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business; and
- the significant issues that the Committee considered, including issues in relation to the financial statements and how these were addressed, having regard to matters communicated to it by the auditor.

9.8 The Committee shall:

9.8.1 have access to sufficient resources in order to carry out its duties:

9.8.2 be provided with appropriate and timely training, as necessary;

9.8.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;

9.8.4 at least once a year, review its own performance, 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;

9.8.5 review the Company's policies for preventing or detecting fraud;

9.8.6 consider other topics as defined by the Board.



## **10. Authority**

The Committee is authorised:

- 10.1 to seek any information it requires from any employee of the Company in order to perform its duties. The Committee shall have access to all records of the Group and any internal or external reports relating thereto;
- 10.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 10.3 to call any employee to be questioned at a meeting of the Committee as and when required.