

**R.E.A. HOLDINGS PLC**  
**TERMS OF REFERENCE OF THE AUDIT COMMITTEE**  
**(Adopted pursuant to a resolution of the board dated 30 March 2020)**

**1. INTRODUCTION**

The UK Corporate Governance Code (the "**Code**") states that:

***The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two.***

The Code further provides that:

***The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.***

The FRC Guidance on Audit committees (2016) and Guidance on Board Effectiveness (2018) provide further assistance to boards and their committees in the application of the Code to their particular circumstances.

Copies of the Code and the FRC Guidance on Audit committees and Guidance on Board Effectiveness, should members of the committee need to consult them, can be obtained from the company secretary and are available at [www.frc.org.uk](http://www.frc.org.uk).

These terms of reference have been prepared in compliance with the Code and relevant FRC Guidance.

These terms of reference set out the terms upon which the audit committee of the board (the "**committee**") is now appointed, the role to be performed by the committee, and the authority delegated to the committee by the board. Such terms take effect from 30 March 2020 and shall be in substitution for the previous terms of reference of the committee which shall be of no further effect.

**2. TERMS OF REFERENCE TO BE MADE AVAILABLE**

The committee shall make available these terms of reference by causing them to be published on the company's website and by providing copies upon written request.

**3. MEMBERSHIP**

- 3.1 The members of the committee shall be appointed by the board on the recommendation of the nomination committee and in consultation with the chairman of the committee. The committee shall be made up of at least two members. At least one member shall have recent and relevant financial experience. The committee as a whole shall have competence relevant to the sector and region in which the company operates.
- 3.2 A majority of members of the committee shall be independent non-executive directors.
- 3.3 The board shall appoint the committee chairman (the "**chairman**"). In the absence of the chairman and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

**4. SECRETARY**

- 4.1 The company secretary, or its nominee, shall act as the secretary of the committee (the "**secretary**").

- 4.2 The secretary will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## 5. MEETINGS

- 5.1 **Frequency:** Meetings of the committee shall be held at least three times per year, at appropriate intervals in the financial reporting and audit cycles, and otherwise as required.

Outside of the formal meetings, the chairman will maintain a dialogue with key individuals involved in the company's governance, including the chairman of the board, the managing director and group finance officers, the external auditor and the company secretary.

- 5.2 **Right to attend:** No one other than the committee members shall be entitled to be present at a meeting of the committee, but others may attend for all or any part of the meeting at the invitation of the committee, as required.

The external auditor will normally attend, although they will not be present at meetings when the committee discusses the auditor's performance or remuneration.

- 5.3 **Notice:** Meetings of the committee shall be summoned by the secretary of the committee at the request of the chairman or any of its members, or at the request of the external audit lead partner or the head of internal audit (if any), 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 and supporting papers, shall be sent to each member of the committee and, to the extent appropriate, any other person invited to attend prior to the date of the meeting.

- 5.4 **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.

- 5.5 **Voting:** The chairman shall have a casting vote on all matters in the event of an equality of votes.

- 5.6 **Minutes:** Minutes of the proceedings and resolutions of all committee meetings, including the names of those present and in attendance, shall be prepared.

The committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, the minutes should be circulated to all other members of the board and the company secretary unless, exceptionally, it would be inappropriate to do so.

## 6. ENGAGEMENT WITH SHAREHOLDERS

The chairman shall attend the annual general meeting to respond to any shareholder questions on the committee's activities. In addition, the chairman shall seek to engage with shareholders on significant matters related to the committee's areas of responsibility.

## 7. DUTIES

In discharging the duties set out below, the members of the committee shall have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole.

## 7.1 **Financial reporting**

- (a) The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary results announcements (if any) and any other formal announcement relating to its financial performance and review and report to the board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- (b) In particular, the committee shall review and challenge where necessary:
  - (i) the application of significant accounting policies and any changes to them;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
  - (iv) the clarity and completeness of disclosures in the financial reports and the context in which statements are made;
  - (v) all material information presented with the financial statements, including the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management).
- (c) The committee shall review any other statements requiring board approval which contain financial information, where prior to board approval such review would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and the Disclosure Guidance and Transparency Rules sourcebook.
- (d) Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its reviews to the board.

## 7.2 **Narrative reporting**

Where requested by the board, the committee should 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 and whether it informs the board's statement in the annual report on these matters as required under the Code.

## 7.3 **Internal controls and risk management systems**

The committee shall on behalf of the board (which retains overall responsibility for risk management and internal control systems):

- (a) keep under review the company's internal financial systems controls that identify, assess, manage and monitor financial risks, and other internal controls and risk management systems;
- (b) review and recommend to the board for approval the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal and emerging risks, and the viability statement.

#### 7.4 **Compliance, whistleblowing and fraud**

The committee shall:

- (a) review the adequacy and security of the company's arrangements for its employees, contractors and external parties to raise concern, in confidence, in respect of 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;
- (b) review the company's procedures for detecting fraud;
- (c) review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

#### 7.5 **Internal audit**

The committee shall monitor and review the effectiveness of the company's internal audit function in Indonesia. Such responsibilities may include, but are not limited to:

- (a) approving the appointment or termination of appointment of the head of internal audit;
- (b) reviewing and approving the role and mandate of internal audit, monitoring and reviewing the effectiveness of its work, and ensuring that its terms of reference are appropriate for the current needs of the organisation;
- (c) reviewing and approving the annual internal audit plan to ensure it is aligned to the key risks of the business, and receiving regular reports on work carried out;
- (d) ensuring internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensuring that there is open communication between different functions and that the internal audit function evaluates the effectiveness of these function as part of its internal audit plan, and ensuring that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (e) ensuring the internal auditor has direct access to the chairman of the board and of the committee, providing independence from the executive and accountability to the committee;
- (f) carrying out an annual assessment of the effectiveness of the internal audit function and, as part of this assessment:
  - (i) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
  - (ii) review and assess the annual internal audit work plan;
  - (iii) receive a report on the results of the internal auditor's work;
  - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
  - (v) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.

- (g) monitoring and assessing the role and effectiveness of the internal audit function in the overall context of the company's risk management system and the work of compliance, finance and the external auditor;
- (h) considering whether an independent, third party review of processes is appropriate.

The committee shall consider annually whether there should be an internal audit function outside Indonesia, taking account of current and prospective trends and risk factors.

## 7.6 External Audit

The committee shall:

- (a) consider and make recommendations to the board to be put to shareholders for approval at the annual general meeting in relation to the appointment, re-appointment and removal of the company's external auditor;
- (b) oversee the selection procedures for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tender process;
- (c) if an external auditor resigns, investigate the issues leading to this and determine whether any action is required;
- (d) oversee the relationship with the external auditor, including (but not limited to):
  - (i) approval of their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non audit services;
  - (iv) satisfying itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) that could adversely affect the auditor's independence and objectivity;
  - (v) agreeing with the board a policy on the employment of former employees of the company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
  - (vi) monitoring the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
  - (vii) monitoring the level of fees paid by the company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;

- (viii) assessing annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- (e) seek to ensure coordination of the external audit with the activities of the internal audit function;
- (f) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;
- (g) develop and recommend to the board the company's policy on the provision of non audit services by the auditor, including prior approval of non audit services by the committee and specifying the types of non audit service to be preapproved, and assessment of whether non audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
  - (i) threats to the independence and objectivity of the external auditor and any safeguards in place;
  - (ii) the nature of the non-audit services;
  - (iii) whether the external audit firm is the most suitable supplier of the non audit service;
  - (iv) the fees for non audit services, both individually and in aggregate, relative to the audit fee;
  - (v) the criteria governing compensation.
- (h) 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, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (i) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (j) review the findings of the audit with the external auditor; this shall include, but not be limited to, the following:
  - (i) a discussion of any major issues which arose during the audit;
  - (ii) the auditor's explanation of how the risks to audit quality were addressed;
  - (iii) key accounting and audit judgements;
  - (iv) the auditor's view of their interactions with senior management;
  - (v) levels of errors identified during the audit;
  - (vi) review any representation letters requested by the external auditor before they are signed by management;
  - (vii) review the management letter and management's response to the auditor's findings and recommendations;

- (viii) review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

## **8. REPORTING RESPONSIBILITIES**

- 8.1 The chairman 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. This report shall include:
- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 7.1(a)) and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process (required under paragraph 7.6(d)(viii)), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;
  - (c) any other issues on which the board has requested the committee's opinion.
- 8.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The committee shall compile a report on its activities to be included in the company's annual report. The report should describe the work of the audit committee, including:
- (a) the significant issues that the committee considered in relation to the financial statements and how these issues were addressed;
  - (b) an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
  - (c) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.
- 8.4 In compiling the reports referred to at 8.1 and 8.3, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a going concern and the inputs to the board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but may provide cross-references to that information.

## **9. 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 training, both in the form of an induction programme for new members and on an ongoing basis for all members;

- (c) oversee any investigation of activities which are within its terms of reference;
- (d) ensure that a periodic evaluation of the committee's performance is carried out;
- (e) at least annually, review its 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.

**10. AUTHORITY**

The committee is authorised:

- (a) to seek any information it requires from any employee of the company in order to perform its duties;
- (b) to obtain, at the company's expense, independent legal, accounting or other professional advice on any matters within its terms of reference when the committee reasonably believes it necessary to do so;
- (c) to call any member of staff to be questioned at a meeting of the committee as and when required;
- (d) to publish in the company's annual report details of any issues that cannot be resolved between the committee and the board.