

## Audit Committee

AorTech International Plc ("The Company")

### Audit Committee

#### 1 Terms of Reference

The main role and responsibilities of the Audit Committee are:

to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, reviewing significant financial reporting judgements contained in them;

to review the company's internal financial controls:

to monitor and review the effectiveness of the company's internal control and risk management systems (including without limitation fraud risk);

to monitor and review the effectiveness of the company's internal audit arrangements;

to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment of the external auditor and to approve the remuneration and terms of engagement of the external auditor;

to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

to develop and implement policy on the engagement of the external auditor to supply nonaudit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken;

to consider the findings of internal investigations and management response;

to report to the Board on how it has discharged its responsibilities; and

to perform the duties set out above both for the Company and for each of its subsidiaries.

#### 2 Membership

The Audit Committee shall be appointed by the Board from amongst the independent non-executive directors of the Company and shall normally consist of not less than three members, but where the number of non-executive directors is less than three they shall all be members of the Audit Committee. A quorum shall be two members.

The Chairman of the Audit Committee shall be appointed by the Board.

The current members of the Audit Committee are:

David Richmond

John Ely

Geoff Berg

Gordon Wright

#### 3 Attendance at Meetings

No one other than the Audit Committee's chairman and members is entitled to be present at a meeting of the Audit Committee. It is for the Audit Committee to decide if non-members should attend for a particular meeting or a particular agenda item.

The external audit lead partner will be invited regularly to attend meetings as well as the financial controller. Others may be invited to attend.

#### 4 Frequency of Meetings

It is for the Audit Committee chairman, in consultation with the Company Secretary, to decide the frequency and timing of its meetings.

There should be as many meetings as the Audit Committee's role and responsibilities require. It is recommended there should be no fewer than two meetings during the year, held to coincide with key dates within the financial reporting and audit cycle.

However, it is recognised the Audit Committee chairman may wish to call more frequent meetings.

A sufficient interval must be allowed between Audit Committee meetings and main Board meetings to allow any work arising from the Audit Committee meeting to be carried out and reported to the Board as appropriate.

The Audit Committee should, at least annually, meet the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

#### 5 Authority

The Audit Committee is authorised by the Board to investigate any activity within its Terms of Reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Audit Committee.

The Audit Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, if it considers this necessary.

#### Relationship with the Board

The role of the Audit Committee has been decided by the Board and set out in this document.

The Audit Committee shall review annually its Terms of Reference and its own effectiveness and recommend any necessary changes to the Board.

The Board will also review the Audit Committee's effectiveness annually.

The Audit Committee will report to the Board on how it has discharged its responsibilities, including:

The significant issues that it considered in relation to the financial statements and how these issues were addressed;

Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor;

Its assessment of the effectiveness of the company's internal audit arrangements; and

Any other issues on which the Board has requested the committee's opinion.

Where there is disagreement between the Audit Committee and the Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement.

Where any such disagreements cannot be resolved, the Audit Committee has the right to report the issue to the shareholders as part of the report on its activities in the Annual Report.

#### Role and Responsibilities of the Audit Committee

##### 6 Financial Reporting

The Audit Committee will monitor the integrity of the financial statements of the company, including its annual and half-yearly reports and will review, and report to the Board on, the significant financial reporting issues and judgements made in connection with the preparation of the company's financial statements (having regard to matters communicated to it by the auditor), interim reports, preliminary announcements and related formal statements.

The Audit Committee must consider significant accounting policies, any changes to them and any significant estimates and judgements. The Finance Director must inform the Audit Committee of the methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches.

Taking into account the external auditor's view, the Audit Committee will consider whether the company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements. The Audit Committee will review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context.

If, following a review, the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the company, it will report its views to the Board.

The Audit Committee will review related information presented with the financial statements, including the strategic report, and corporate governance statements relating to the audit and to risk management.

##### 7 Narrative Reporting

The Audit Committee must 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.

##### 8 Whistleblowing

The Audit Committee must review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit Committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

##### 9 Internal Controls and Risk Management Systems

The Audit Committee must review the company's internal financial controls (that is, the systems established to identify, assess, manage and monitor financial risks) and the company's internal control and risk management systems.

##### 10 Internal Audit Process

The Audit Committee must consider the effectiveness of the company's internal audit arrangements. It must review the programme of work the auditor intends to carry out and satisfy itself that the areas covered are appropriate having regards to the risks the company faces.

The Audit Committee must consider annually whether there is a need for an internal audit function. The reasons for the absence of such a function should be explained in the relevant section of the Annual Report.

#### 11 External Audit Process

The Audit Committee is the body responsible for overseeing the company's relations with the external auditor.

#### 12. Appointment and tendering

The Audit Committee has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the Board does not accept the Audit Committee's recommendation, it should include in the annual report, and in any papers recommending appointment or reappointment, a statement from the Audit Committee explaining its recommendation and should set out reasons why the Board has taken a different position.

The Audit Committee's recommendation to the Board should be based on the assessments referred to below. If the Audit Committee recommends considering the selection of possible new appointees as external auditors, it must oversee the selection process, and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. The Audit Committee must annually assess, and report to the Board on, the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process, with a recommendation on whether to propose to the shareholders that the external auditor be reappointed. The assessment must cover all aspects of the audit service provided by the audit firm.

External audit services must be put out to tender at least once every ten years, to enable the Audit Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms.

If the external auditor resigns, the Audit Committee must investigate the issues giving rise to such resignation and consider whether any action is required.

The Audit Committee section of the annual report should include 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, in order that shareholders can understand why it recommended either to reappoint or change the auditors. It should also include information on the length of tenure of the current audit firm, when a tender was last conducted, and any contractual obligations that acted to restrict the Audit Committee's choice of external auditors.

#### 13. Terms and Remuneration

The Audit Committee must approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided.

The Audit Committee must review and agree the engagement letter issued by the external auditor at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year. The scope of the external audit should be reviewed by the Audit Committee with the auditor. If the Audit Committee is not satisfied as to its adequacy it should arrange for additional work to be undertaken.

The Audit Committee must satisfy itself that the level of fee payable in respect of the audit services provided is appropriate and that an effective, high quality, audit can be conducted for such a fee.

#### 14. Annual Audit Cycle

At the start of each annual audit cycle, the Audit Committee must ensure that appropriate plans are in place for the audit.

The Audit Committee must consider whether the auditor's overall work plan, including planned levels of materiality, and proposed resources to execute the audit plan appears consistent with the scope of the audit engagement, having regard also to the seniority, expertise and experience of the audit team.

The Audit Committee must review, with the external auditors, the findings of their work. In the course of its review, the Audit Committee should:

discuss with the external auditor major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved;  
review key accounting and audit judgements; and

review levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted.

The Audit Committee must also review the audit representation letters before signature and give particular consideration to matters where representation has been requested that relate to nonstandard issues. The Audit Committee must consider whether the information provided is complete and appropriate based on its own knowledge.

As part of the on-going monitoring process, the Audit Committee must review the management letter (or equivalent). The Audit Committee must review and monitor management's responsiveness to the external auditor's findings and recommendations.

At the end of the annual audit cycle, the Audit Committee must assess the effectiveness of the audit process. In the course of doing so, the Audit Committee should:

review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;

consider the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Audit Committee, and in their commentary where appropriate on the systems of internal control;

obtain feedback about the conduct of the audit from key people involved,;

review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon; and

report to the Board on the effectiveness of the external audit process.

#### 15. Independence, including the provision of non-audit services

The Audit Committee must assess the independence and objectivity of the external auditor annually, taking into consideration relevant UK law, regulation and professional requirements. This assessment should involve a consideration of all relationships between the company and the audit firm (including the provision of non-audit services) and any safeguards established by the external auditor.

The Audit Committee must seek reassurance that the auditors and their staff have no financial, business, employment or family and other personal relationship with the company which could adversely affect the auditor's independence and objectivity, taking account of relevant Ethical Standards for Auditors. The Audit Committee must seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff.

The Audit Committee must develop and recommend to the Board the company's policy in relation to the provision of non-audit services by the auditor, and keep the policy under review. The Audit Committee's objective should be to ensure that the provision of such services does not impair the external auditor's independence or objectivity. In this context, the Audit Committee should consider:

whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service;

whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;

the nature of the non-audit services;

the fees incurred, or to be incurred, for non-audit services both for individual services and in aggregate, relative to the audit fee; and

the criteria which govern the compensation of the individuals performing the audit.

The Audit Committee must consider the external audit firm's compliance with the Ethical Standards for Auditors relating to the rotation of audit partners and other related regulatory requirements.

#### 16. Gift Register

The Audit Committee will review the Gift Register on an annual basis.

#### 17. Communications with Shareholders

A separate section in the Annual Report should describe the work of the Audit Committee in discharging its responsibilities.

The Audit Committee section should include, inter alia:

a summary of the role of the Audit Committee;

the names and qualifications of all members of the Audit Committee during the period;

the number of Audit Committee meetings;  
the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditors;  
an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm, when a tender was last conducted, and any contractual obligations that acted to restrict the Audit Committee's choice of external auditors; and  
if the external auditor provides non-audit services, how auditor objectivity and independence is safeguarded.

The Audit Committee will need to exercise judgement in deciding which of the issues it considered 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. The Audit Committee should aim to describe the significant issues in a concise and understandable form. The statement need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

When reporting on the significant issues, the Audit Committee would not be expected to disclose information which, in its opinion, would be prejudicial to the interests of the company (for example, because it related to impending developments or matters in the course of negotiation).

The chairman of the Audit Committee should be present at the AGM to answer questions, through the chairman of the Board, on the report on the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

#### 19. Version Control

These Terms of Reference are subject to review at least annually, or as required by the Board.

These Terms of Reference were reviewed and approved by AorTech International plc on 23 August 2018. Information on the membership, role and activities of this Committees shall be included on the Company website and in the Annual Report and Accounts