



**GENEL ENERGY PLC (the *Company*)**

**AUDIT COMMITTEE - TERMS OF REFERENCE  
adopted by the Board on 4 December 2019**

**1. BACKGROUND**

- 1.1 The board of directors of the Company (the *Board*) has resolved to establish an audit, financial risk and conflicts committee, to be referred to as the Audit Committee (the *Committee*). These terms of reference replace any previous terms of reference for any audit, risk and/or conflicts committee(s) of the Board.
- 1.2 The Board has delegated to the Committee responsibility for: (a) overseeing the financial reporting, internal financial controls and internal financial risk management of the Company and its subsidiaries (collectively, the *Group*); (b) maintaining an appropriate relationship with the external auditor of the Group; (c) monitoring potential conflicts of directors (as well as certain senior managers); and (d) determining whether such persons have an actual or potential conflict of interest in their dealings with the Company.
- 1.3 The Committee shall carry out the duties below for the Company, its subsidiaries and the Group as a whole, as appropriate.

**2. OBJECTIVES**

The objectives of the Committee shall be:

- 2.1 to increase shareholder confidence by ensuring the credibility and objectivity of published financial information;
- 2.2 to assist the Board in meeting its financial reporting responsibilities;
- 2.3 to monitor the treasury arrangements in place for the Company;
- 2.4 to assist the Board in ensuring the effectiveness of the internal accounting and financial controls of the Company;
- 2.5 to strengthen the independent position of the Company's external auditors by providing channels of communication between them and the non-executive directors;
- 2.6 to review the performance of the Company's internal and external auditing functions; and
- 2.7 to assist the Board in monitoring and addressing potential conflicts of interest between members of the Group (on the one hand) and the directors and/or certain senior managers of the Company (on the other hand).

### **3. DUTIES OF THE COMMITTEE**

3.1 The duties of the Committee shall be:

#### **Financial statements**

- (a) to monitor and review the integrity of the financial statements of the Company, including its half year and annual financial statements, interim information statements, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and/or judgements which they give rise to or which are contained in them, before their submission to the Board;
- (b) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditors views on the financial statements;
- (c) to review the consistency of, and any changes to, accounting and treasury policies on a year on year basis, across the Company and the rest of the Group;
- (d) to review the methods used to account for significant or unusual transactions where different approaches are possible;
- (e) to review the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- (f) to review the financial statements and all material information presented with the them, including the strategic report and corporate governance statements relating to the audit and to risk management, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;

#### **External auditors**

- (g) to investigate and make recommendations to the Board on the appointment, re-appointment or removal of the external auditors, the audit fee, and the terms of engagement of the external auditors, and if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (h) develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- (i) to enter into discussions with external auditors concerning the nature and scope of the audit, to co-ordinate the audit where more than one firm is involved, to monitor the audit and review any problems or reservations arising from the audit, and to review the findings of the audit with the external auditors, including but not limited to:
  - (i) a discussion of any major issues which arose during the audit;
  - (ii) any accounting and audit judgements;
  - (iii) levels of errors identified during the audit;

- (iv) the external auditors explanation of how the risks to audit quality were addressed;
  - (v) the external auditors view of their interaction with senior management;
- and to discuss any matters which the external auditors wish to discuss;
- (j) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan;
  - (k) to review annually the effectiveness of the audit and the independence and objectivity of the external auditors including monitoring the auditors process for maintaining independence;
  - (l) to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group which adversely affect the external auditor's independence and objectivity;
  - (m) to review the external auditors' management letter and consider the Company's response (including any input provided by any service provider in relation to such response);
  - (n) to consider communications from the external auditors on audit planning and findings and on material weaknesses in accounting and internal financial control systems that have come to the auditors' attention;
  - (o) to review and discuss with the auditors (and, if required, any employees and/or other representatives of any service provider) the preliminary results, interim information and annual financial statements and any formal announcements relating to the Company's financial performance before submission to the Board, focusing particularly on:
    - (i) the quality and acceptability of the accounting policies and practices and financial reporting disclosures and changes thereto across the Company;
    - (ii) areas involving significant judgement, estimation, uncertainty or unusual transactions;
    - (iii) material misstatements detected by the auditors that individually or in aggregate have not been corrected and, if required, explanations of any employees and/or other representatives of any service provider as to why they have not been adjusted;
    - (iv) the basis for the going concern assumption; and
    - (v) compliance with financial reporting standards and relevant financial and governance reporting requirements;
  - (p) to discuss any difficulties, reservations or other matters arising from the external auditors' interim and final audits;
  - (q) to review, prior to its consideration by the Board, the external auditors' report to the directors;

- (r) to approve the external auditors' remuneration, whether fees for audit or non-audit services so that the level of fees is appropriate to enable an adequate audit to be conducted;
- (s) to meet regularly with the external auditors, including once at the planning stage before the audit, and once after the audit at the reporting stage;
- (t) to review the annual financial statements of any pension scheme;
- (u) to review any representation letter(s) requested by the external auditors before they are signed by management;
- (v) to approve the Company's policy relating to the employment of former employees of the external auditors;
- (w) review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the external auditor, and the external auditor's response to questions from the committee.

### **Internal audit**

- (x) to review the Company's internal control systems and internal risk management systems and, in particular, to review:
  - (i) regular assurance reports from any service provider (to the extent provided), internal audit, external audit and others on the operational effectiveness of matters related to financial risk and control;
  - (ii) the timeliness of, and reports on, the effectiveness of corrective action taken by any service provider; and
  - (iii) the statements made in the Company's annual report in relation to internal controls, risk management and viability statement;
- (y) to consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal financial control aspects of any significant problems disclosed in the annual report and accounts;
- (z) to:
  - (i) consider the appointment, resignation or dismissal of the head of internal audit (if any);
  - (ii) review and approve the role and mandate of the internal audit function and annually approve the internal audit charter ensuring it is appropriate for the current needs of the Company;
  - (iii) review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
  - (iv) ensure that the function is adequately resourced, and has appropriate authority and standing within the Company;

- (v) review co-ordination between the internal and external auditors and (where relevant) the risk management department;
  - (vi) have discussions with the head of internal audit (if any) at least once a year without any executive Board members being present; and
  - (vii) ensure that the head of internal audit (if any) shall be given the right of direct access to the chairman of the Committee (the *Committee Chairman*);
- (aa) carry out an annual assessment of the effectiveness of the internal audit function;
  - (bb) monitor and assess 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;
  - (cc) where there is no internal audit function, to consider annually whether there is a need for an internal audit function;
  - (dd) to review any significant findings of internal investigations into financial control weaknesses, fraud or misconduct and the response of any employees an/or representatives of any service provider (to the extent relevant).

### **Treasury**

- (ee) consider and as appropriate approve:
  - (i) banking arrangements (including bank relationships);
  - (ii) liquidity management and forecasting;
  - (iii) debt management;
  - (iv) counterparty credit risk management;
  - (v) interest rate risk management;
  - (vi) treasury internal control;
- (ff) subject to the necessary board approvals:
  - (i) execution of the borrowing of monies and the issuance of bonds and other debt securities (but not debt that would require shareholder approval or the issuance of equity);
  - (ii) issuance of financial instruments (including but not limited to letters of credit, performance guarantees, put/call options, hedging arrangements);

## Conflicts

- (gg) to monitor transactions with related parties;
- (hh) to establish a process for circulating questionnaires to the directors (as well as certain senior managers) at least once a year to identify any potential or existing conflicts of interest and to inform the directors (as well as certain senior managers) of their continuing duty to provide the Committee with such information and/or any appropriate updates as they deem necessary;
- (ii) to ensure that the directors (as well as certain senior managers) are aware of their duties to the Company and any potential conflict between those and any other duties they may owe to other companies for which they are directors, and to recommend such measures to the Board as the Committee sees fit to minimise the risk of any potential conflict;
- (jj) to ensure that provisions regarding disclosure of any conflict, as set out in statute and regulation, are fulfilled;
- (kk) to ensure that an up to date list of any authorised conflicts of interest granted to the directors (as well as certain senior managers), setting out the date of authorisation and the date of expiry, the scope, and any limitations or special circumstances of each authorisation, is maintained;
- (ll) to establish a process regarding the identification of related parties (for the purposes of both the Listing Rules and International Accounting Standard 24 relating to related party disclosures) and approval of related party transactions (as defined by the Listing Rules) by the Board;
- (mm) to ensure the Board is briefed on conflict and related party issues as and when appropriate, and to make recommendations to the Board for the authorisation (and the proposed terms of such authorisation) of any such conflicts of interest or related party transactions;
- (nn) to ensure that any conflict or related party issue or transaction that may be referred to it is properly considered, and to make any necessary recommendation to the Board;
- (oo) following authorisation of any relevant conflict or related party transaction by the Board, to review the negotiation of any such transaction or arrangement to ensure that it has been or will be conducted on arms' length terms;
- (pp) to ensure that any related party transaction entered into between the Company and any of its directors is, to the extent applicable, compliant with Chapter 11 of the Listing Rules made by the UK Listing Authority, as amended from time to time;
- (qq) to ensure implementation of any conflicts procedures adopted by the Company from time to time (the ***Conflicts Procedures***);

## **Other responsibilities**

- (rr) to compile a report to shareholders on its activities and to consider the disclosure about the role of the Committee included in the annual report and, in particular, concerning internal financial controls and financial risk management;
- (ss) the Committee should review the content of the annual report 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;
- (tt) to review other disclosures or documents as determined by the Board;
- (uu) to consider other topics, as defined by the Board, such as the Company's policies for preventing or detecting fraud and bribery, its code of corporate conduct/business ethics or the policies for ensuring that the Company complies with relevant regulatory and legal requirements (including those related to bribery prevention), receives reports and considers appropriate action;
- (vv) to review regular reports from the Company's anti-money laundering officer (when appointed) and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;
- (ww) to review regular reports from the Company's compliance officer (when appointed) and the adequacy and effectiveness of the Company's compliance function;
- (xx) approve the insurance programme (excluding the directors and officers insurance arrangements which shall be a matter reserved for the board);
- (yy) to annually review subsidiary company compliance and the directors / company secretaries appointed to each subsidiary company of the Group;
- (zz) at least once every twelve months to review and update its own terms of reference, requesting Board approval for all proposed changes and, at appropriate intervals, to evaluate its own performance against its terms of reference and best practice.

3.2 If the auditors also supply non-audit services to the Company, the Committee should:

- (a) to maintain a formal policy on the provision of non-audit services by the external auditor;
- (b) keep the nature and extent of such services under review (seeking to balance the maintenance of objectivity and value for money);
- (c) take into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- (d) report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

#### **4. COMPOSITION**

- 4.1 The Committee shall have a minimum of two members, who shall be appointed by the Board. The Committee shall where possible include one member of the Remuneration Committee. All members of the Committee shall be independent non-executive directors. Any member who is determined by the Board no longer to be independent shall cease to be a member of the Committee. The Chairman of the Board shall not be a member of the Committee.
- 4.2 The Board shall appoint one member of the Committee to act as the chairman of the Committee (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. No Committee Chairman, deputy or person elected under this paragraph 4.2 shall have a casting vote.
- 4.3 At least one member of the Committee must have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the oil and gas industry.
- 4.4 Only members of the Committee shall have the right to attend meetings of the Committee. However, the Committee may invite any outsiders to attend its meetings as it deems appropriate, including the Chief Financial Officer of the Company who shall be invited to attend all meetings of the Committee. Other individuals such as members of the Board, the external auditor, the head of any internal audit department and representatives of the finance function of the Company will be encouraged to attend all or part of any meeting as and when appropriate.
- 4.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two further periods of up to three years, provided the relevant director still meets the criteria for membership of the Committee.

#### **5. QUORUM**

- 5.1 The quorum for the transaction of business shall be two members of the Committee.
- 5.2 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.

#### **6. MEETING ADMINISTRATION**

- 6.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle, including prior to the announcement of the results of the Company, when the external auditor shall be in attendance, and at such other times as circumstances require.
- 6.2 Meetings of the Committee shall be called by the secretary of the Committee (the *Committee Secretary*) at the request of the Committee Chairman or at the request of the external or internal auditors if they consider it necessary.



- 6.3 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 unless otherwise agreed. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

## **7. COMMITTEE SECRETARY**

- 7.1 The Company Secretary or such person as the Company Secretary nominates shall act as the Committee Secretary.
- 7.2 The Committee Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present or in attendance.
- 7.3 The Committee Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.4 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, minutes of meetings of the Committee shall promptly be made available to all members of the Board and to the external auditors promptly unless a conflict of interest has been identified.

## **8. COMMITTEE EFFECTIVENESS**

- 8.1 The Committee shall, 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. This can be satisfied by participation in any wider Board evaluation process.

## **9. REPORTING RESPONSIBILITIES**

- 9.1 The Committee Chairman shall report to the Board on its proceedings after each meeting of the Committee to elaborate on any issues arising in the minutes, or with regard to any other matters within its duties and responsibilities.
- 9.2 The Committee shall have discussions with the external auditors at least once a year without any executive Board members being present.
- 9.3 The Committee shall make such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed or desirable.
- 9.4 The Committee shall have the right to make a statement in the Company's annual report about its activities on all matters that the Committee Chair deems appropriate, and ensure each year that it is put to shareholders for approval at the Annual General Meeting.
- 9.5 The Committee Chairman shall attend the Annual General Meeting prepared to respond to any questions on the Committee's activities.

## **10. 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 requirements of the UK Corporate Governance Code, and the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules, as appropriate and as applicable to the Company;
- (d) oversee any investigation of activities which are within its terms of reference; and
- (e) have regard to the prevailing market conditions in carrying out its role.

## **11. AUTHORITY**

The Committee is authorised by the Board to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information which it requires from any Group employee or external provider of services to the Group in order to perform its duties;
- (c) call any employee and/or other representative of a service provider to be questioned at a meeting as and when required;
- (d) obtain at the Company's expense, outside legal or other professional advice in pursuance of its duties (and persons providing such professional advice shall be permitted to attend meetings of the Committee, but shall not be members of it); and
- (e) delegate any of its powers to one or more of its members.