



Peel Hunt Limited (the "Company")
**AUDIT COMMITTEE TERMS OF
REFERENCE**

8 December 2023

PEEL HUNT LIMITED
(the "Company")

Audit Committee Terms of Reference

Approved and Adopted by the Board of the Company
At a Board Meeting held 8 December 2023

1. CONSTITUTION

- 1.1. The board of directors of the Company (the "**Board**") has established a committee of the Board known as the Audit Committee (the "**Committee**"). The meetings and proceedings of the Committee are governed by these Terms of Reference.

2. MEMBERSHIP AND ATTENDANCE

- 2.1. The Committee shall comprise at least two members, with the usual number being three. All members of the Committee shall be non-executive directors, all of whom shall be independent.
- 2.2. The Committee shall include at least one member of the Risk Committee.
- 2.3. At least one member of the Committee shall have recent and relevant financial experience.
- 2.4. The Chair of the Board ("**Board Chair**") shall not be a member of the Committee.
- 2.5. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, in consultation with the chair of the Committee (the "**Committee Chair**"). Appointments shall be for a period of up to three years, which may be extended for up to two additional three-year periods provided members continue to remain independent.
- 2.6. Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial and Operating Officer, the Chief of Internal Audit, the Co-sourced Internal Auditor (as defined below) and the external audit lead partner will be invited to attend meetings on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 2.7. The Board shall appoint the Committee Chair who shall be an independent non-executive director.
- 2.8. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of their number to preside as Committee Chair.

3. SECRETARY

- 3.1. The Company Secretary, or his or her nominee, shall act as the secretary of the Committee ("**Secretary**") and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- 3.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

4. QUORUM

- 4.1. The quorum necessary for the transaction of business shall be two members.

- 4.2. 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.
- 4.3. The Committee may hold meetings in person, by telephone, or using any other method of electronic communication that permits the participants to communicate adequately with each other during the meeting.

5. FREQUENCY OF MEETINGS

- 5.1. The Committee shall meet at least four times a year, at appropriate intervals in the financial reporting and audit cycle, and otherwise as required.
- 5.2. Outside of formal meetings, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial & Operating Officer, the Chief of Internal Audit, the Co-sourced Internal Auditor (as defined below) and the external audit lead partner.

6. NOTICE OF MEETINGS

- 6.1. Meetings of the Committee shall be convened by the Secretary at the request of the Committee Chair or any of its members or at the request of the external audit lead partner or the Chief of Internal Audit, 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 and any other person required to attend no later than five 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.
- 6.3. Shorter notice and/or late submission or circulation of supporting papers will be permitted at the discretion of the Committee Chair.
- 6.4. Notices and supporting papers may be circulated electronically.

7. MINUTES OF MEETINGS

- 7.1. The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. Draft minutes of Committee meetings shall be agreed with the Committee Chair and then circulated to all members of the Committee.
- 7.3. Where practical, minutes from the previous meeting shall be tabled for review and approval at the next scheduled meeting. Once approved, minutes should be circulated to the Board unless, exceptionally, it would be inappropriate to do.
- 7.4. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting.

8. ENGAGEMENT WITH SHAREHOLDERS

- 8.1. The Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

9. DUTIES

The Committee should have oversight of the Peel Hunt group as a whole (“the Group”) and, unless required otherwise by law or regulation, and save for where such duties conflict with those of a separate audit committee with responsibility for a major subsidiary undertaking, carry out the duties below on behalf of the Company, major subsidiary undertakings, and the group as a whole, as appropriate.

9.1. Financial reporting

The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, reviewing, and reporting to the Board on significant financial reporting issues, estimates and judgements which these statements contain having regard to the matters communicated to it by the external auditor.

- (a) 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 statements and the context in which statements are made; and
 - v. all material information presented with the financial statements, including the strategic report and the corporate governance statements.
- (b) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company or the Group, it shall report its views to the Board.

9.2. Narrative reporting

- (a) 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 position, performance, business model and strategy. Such review should include the going concern statement, and those matters required to be complied with or explained under the QCA Code (as defined below).
- (b) The Committee shall review and recommend the preliminary announcements, the half yearly report, other interim reports, and any financial content (including working capital statements, profit forecasts and pro-forma financial information) and related commentary in respect of announcements, circulars, or prospectuses.

9.3. Regulatory reporting

The Committee shall review any relevant letters to the Board from the Group's principal supervisors and regulators (including the FINRA and Danish FSA) on their risk assessments of the Group and the associated management responses.

9.4. Tax

The Committee shall oversee the Group's tax affairs and shall receive a report annually of the UK Reg. Group's tax obligations and the controls in place to mitigate tax risk.

9.5. Internal controls and fraud

The Committee shall, liaising with the Risk Committee as necessary:

- (a) provide assurance to the Board that management's control assurance processes are implemented and are complete and effective;
- (b) review the Company's internal controls, that is, the systems established to identify, assess, manage, and monitor risks;
- (c) consider the level of assurance it is getting on internal control systems, including internal financial controls, and whether this is enough to help the Board in satisfying itself that they are operating effectively;
- (d) review and recommend to the Board the disclosures included in the annual report in relation to internal controls and risk management;
- (e) consider the existence of any significant deficiencies in the design or operation of the Group's system of internal controls, any material weaknesses in internal controls and any procedures for detecting fraud, whether or not material, that involves management or other employees who have a significant role in the Group's affairs;

9.6. Whistleblowing

The Committee shall:

- (a) review the adequacy of the Company's arrangements for its employees, contractors, and external parties to raise concerns, in confidence, about possible wrongdoing and in particular shall receive a written report on such matters on at least an annual basis. The Committee shall ensure these arrangements allow proportionate and independent investigation of such raised matters and appropriate follow up action;
- (b) The Committee shall receive a summary of any whistleblowing incidents which occurred during the relevant quarter (if any) and consider the impact of systems and controls. For the avoidance of doubt, such reports will be in respect of final determined whistleblowing incidents, following any appeals process; and
- (c) review the Company's procedures for preventing and detecting fraud.

9.7. Internal audit

The Committee shall:

- (a) approve the appointment or termination of appointment of the Chief of Internal Audit and the co-sourced independent internal auditor ("**Co-sourced Internal Auditor**");
- (b) annually approve the Internal Audit Charter ensuring it is appropriate for the current needs of the organisation.

- (c) review and recommend the performance objectives and remuneration of the Chief of Internal Audit to the Remuneration Committee;
- (d) review and approve the remit of Internal Audit, and ensure Internal Audit has adequate resources and unrestricted scope to enable it to fulfil its mandate;
- (e) 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;
- (f) review the actions taken by management to implement the recommendations of Internal Audit to ensure that agreed recommended actions are implemented;
- (g) ensure the Chief of Internal Audit has direct access to the Chief Risk Officer, the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee;
- (h) meet with the Chief of Internal Audit at least once a year without the presence of management;
- (i) monitor and review the effectiveness and quality of the Internal Audit provision, in the context of the Group's overall risk management system, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors; and
- (j) commission an independent, third-party review of the effectiveness of the internal audit arrangements and processes at least every five years.

9.8. 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) develop and oversee the selection procedure for the appointment of the audit firm in accordance with the QCA Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- (c) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditor. In this context the Committee shall:
 - i. review and approve their remuneration for audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - ii. review and, where appropriate, approve their remuneration for non-audit services;
 - iii. approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - iv. assess annually the external auditor's independence and objectivity, taking into account relevant professional and regulatory requirements and the Group's relationship with the auditor as a whole, including the provision of any non-audit services;

- v. satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - vi. annually approve a policy on the employment of former employees of the Company's auditor and monitor the application of this policy;
 - vii. monitor the auditor's compliance with relevant ethical and professional standards and requirements, including the guidance on the rotation of the audit partner and staff;
 - viii. assess annually the qualifications, expertise and resources 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;
 - ix. seek to ensure co-ordination of the external audit with the activities of the Chief of Internal Audit, the Co-sourced Internal Auditor and Chief Risk Officer; and
 - x. evaluate the risks to the quality and effectiveness of the financial reporting process;
- (e) develop and approve a formal policy on the provision of non-audit services by the external auditor, and assess whether non-audit services have a direct or material effect on the audited financial statements;
- (f) 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 without management being present to discuss the auditor's remit and any issues arising from the audit;
- (g) 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;
- (h) 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; and
 - v. levels of errors identified during the audit;
- (i) review and recommend to the Board any representation letter(s) requested by the external auditor before they are signed by management;
- (j) review the management letter and management's response to the auditor's findings and recommendations; and
- (k) 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.

10. REPORTING RESPONSIBILITIES

- 10.1. The Committee Chair shall update the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and shall also formally 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 and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process and its approach taken to the appointment or reappointment of the external auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 10.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The Committee shall compile a report on its activities to be included in the Company's annual report. The report will comply with best practice disclosures.
- 10.4. In compiling the reports referred to in 10.1 and 10.3, 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.

11. OTHER MATTERS

The Committee shall:

- (a) receive, where appropriate, audit reports of any major subsidiary undertakings of the Company;
- (b) have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position;
- (c) have access to sufficient resources to carry out its duties, including access to the Company secretariat for assistance as required;
- (d) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- (e) give due consideration to all applicable laws and regulations including the Companies (Guernsey) Law 2008, the provisions of the Quoted Companies Alliance Corporate Governance Code (the "**QCA Code**"), the London Stock Exchange AIM Rules for Companies, the Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation and any other applicable rules and guidance, as appropriate;
- (f) oversee any investigation of activities which are within its terms of reference;
- (g) work and liaise as necessary with all other Board committees; and
- (h) arrange for an annual evaluation of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. AUTHORITY

The Committee is authorised to:

- (a) seek any information it requires from any employee of the Company or Group and from any sub-contractor, consultant, or other provider of services in order to perform its duties;
- (b) obtain, at the Company's expense, independent legal, accounting, or other professional advice on any matter it believes it necessary to do so;
- (c) call any employee to be questioned at a meeting of the Committee as and when required;
- (d) delegate any matter or matters to another committee or person(s) as it deems appropriate; and
- (e) perform any other functions as requested by the Board.