

Malvern International
plc

TERMS OF REFERENCE

MALVERN INTERNATIONAL PLC
(Company No. 05174452)

TERMS OF REFERENCE OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

Definitions:

- “Act”** : Paragraph 26 to Part 1 of the AIM Rules for Companies
- “Board' of 'Directors”** : The Directors for the time being of the Company or such number as have authority to act for the Company
- “Exchange”** : AIM-London Stock Exchange (Company No 05174452)
- “Committee”** : The Audit and Risk Management Committee of the Company
- “Company”** : Malvern international plc
- “CEO”** : The principal executive officer of the Company for the time being by whatever name called, and whether he or she is a Director
- “Group”** : The Company and its subsidiaries
- “LR”** : AIM Listing Requirements including any relevant practice and/or guidance notes, directives, guidelines issued pursuant thereto and any amendment, modification, supplemental to the listing requirements that may be made from time to time
- “Company Secretary” or “Secretaries”** : any person or persons jointly appointed to perform the duties of a secretary of the Company including any person(s) appointed temporarily and any representative of the secretary

1. EFFECTIVE DATE

The Board had fixed that 12 September 2018 would be the effective date of this Term of Reference for the Audit and Risk Management Committee.

2. Objectives

The primary objectives of the Committee are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and financial reporting practices of the Group and to assist the Board in their responsibilities to identify, assess and monitor key business risks to mitigate adverse impacts on achieving strategic objectives with a view to safeguard shareholders' investments and the Group's assets.

In addition, the Committee shall assist the Board:

- (a) In complying with specified accounting standards and required disclosure as administered by AIM, relevant accounting standards bodies, and any other Laws and regulations as amended from time to time.
- (b) In presenting a balanced and understandable assessment of the Group's position and prospects.
- (c) In establishing a formal and transparent arrangement for maintaining an appropriate relationship with the Company's auditors and overseeing, appraising the quality of audited conducted by the Company's internal & external auditors and reviewing the independence of the external & internal auditors ; and
- (d) In determining the adequacy of the Group's administrative, operating, accounting & financial controls and internal controls .

3. Composition

The Committee shall be appointed by the Board from its members pursuant to a resolution of the Board and must fulfil the following requirements –

- (a) The Committee must comprise at least three (3) members, consisting of at least two (2) independent non-executive Directors;

- (b) At least one (1) member must be a member of an internationally recognised professional accounting body or a person who fulfils the requirements as stated in the LR;
- (c) The Chairman must be independent and shall also not be the Chairman of the Board;
- (d) No alternate Director shall be appointed as a member of the Committee; and
- (e) In the event of any vacancy resulting in non-compliance of the minimum of three (3) members requirement, the Board shall upon the recommendation of the Nomination and Remuneration Committee, appoint such number of Directors to fill up such vacancy within three (3) months of the event.

4. Secretary

The Secretaries of the Company shall be the Secretaries of the Committee

5. Meetings

- (a) The Committee shall hold at least four (4) regular meetings per year, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities. Additional meetings may be called at any time, at the discretion of the Chairman of the Committee.
- (b) The quorum for a meeting shall be two (2) members of the Committee, with at least one (1) must be an Independent Director.
- (c) The CEO, CFO and other appropriate officer(s) may be invited to attend where their presence is considered appropriate as determined by the Committee's Chairman. Other Board members, employees of the Group and representatives of the External Auditors may attend meetings upon the invitation of the Committee.
- (d) The Internal Auditor(s) have the right to appear and be heard at any meeting of the Committee and are recommended to attend a Committee's meeting at least once a quarter. The Committee shall meet at least once a year with the External and Internal Auditors in the absence of Executive Board members and the Senior Management. Upon the request of the Internal Auditors and/or External Auditors, the Committee Chairman shall also convene a meeting of the Committee to consider any matter the auditor(s) believes should be brought to the attention of the Board or the shareholders.

- (e) The Committee members may participate in a meeting by means of conference telephone, conference videophone or any similar or other communications equipment by means of which all persons participating in the meeting can hear each other. Such participation in a meeting shall constitute presence in person at such meeting.
- (f) Questions arising at any meeting of the Committee shall be decided by a majority of votes of the members present, and in the case of equality of votes, the Chairman of the Committee shall have a second or casting vote.

6. Minutes

The minutes of each meeting shall be kept at the registered office and distributed to each member of the Committee and also to the other members of the Board. The Committee Chairman shall report on the proceedings of each meeting to the Board.

The minutes of the Committee meeting shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting.

The Committee members may inspect the minutes of the Committee at the Registered Office or such other place as may be determined by the Committee.

7. Reporting

The Committee shall report to the Board, either formally in writing, or verbally, as it considers appropriate, on the matters within its terms of reference at least once a year, but more frequently if it so wishes.

The Committee shall report to the Board on any specific matters referred to it by the Board for investigation and report.

8. Authority

In carrying out its duties and responsibilities, the Committee shall have the following rights:

- (a) The explicit authority to investigate any matter within its Terms of Reference;
- (b) Access to the resources which are required to perform its duties;

- (c) Full, free and unrestricted access to any information, records, properties and personnel of the Group;
- (d) Direct communication channels with the External and Internal Auditors;
- (e) Ability to obtain independent professional or other advice at the Company's costs, and to invite external parties with relevant experience to attend the Committee meetings, if required, and to brief the Committee thereof;
- (f) Ability to convene meetings with External and Internal Auditors, or both, whenever deemed necessary, excluding the attendance of other Directors and employees of the Group;
- (g) Promptly report to the NOMAD where a matter reported by the Committee to the Board has not been satisfactorily resolved resulting in a breach of the LR; and
- (h) The attendance of any particular Committee meeting by other Directors and employees of the Group shall be at the Committees invitation and discretion, and specific to that relevant meeting only.

9. Responsibilities and Duties

In fulfilling its primary objectives, the Committee undertakes, amongst others, the following responsibilities and duties

External Audit

- a) To consider the nomination and appointment of External Auditors; and to consider the adequacy of experience and resources of the External Auditors and determine the audit fee;
- b) To review any letter of resignation from the External Auditors and any questions of resignation or dismissal;
- c) To discuss with the External Auditors, prior to the commencement of audit, the audit plan which states the nature and scope of audit;
- d) To review major audit findings arising from the interim and final external audits, the audit report and the assistance given by the Group's officers to the External Auditors;

- e) To review with the External Auditors, their evaluation of the system of internal controls, their management letter and management's responses;
- f) To review whether there is reason (supported by grounds) to believe that the External Auditors are not suitable for re-appointment;
- g) To assess the suitability, objectivity and independence of the External Auditors; and
- h) Discuss the contracts for the provision of non-audit services which can be entered into and procedures that must be followed by the External Auditors. The contracts that cannot be entered into should include management consulting, policy and standard operating procedures documentation, strategic decision and internal audit.

Internal Audit

- a) To review the following in respect of internal audit:
 - Adequacy of scope, functions and resources of the of the internal auditor(s) and that he/she has the necessary authority to carry out the work;
 - The internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
 - The major findings of internal audit investigations and management's response, and ensure that appropriate actions are taken on the recommendations of the internal audit function:
 - its effectiveness and independence: and
 - review and approve any appointment, termination or resignation of the of the internal auditor(s).

Risk Management (A function of the IA function)

- a) To identify key risks relevant to the Groups internal and external environments with respect to its business operations and strategic objectives, and recommend to the Board the Group's policy for risk management;

- b) To review the processes and procedures for ensuring that all material business risks are properly identified and that the appropriate systems of monitoring and control are in place, while considering all material breaches of the agreed risk limits, if any, and review the actions taken in response;
- c) To monitor and review the Group's internal controls and risk management systems and make recommendations where necessary, to ensure that the systems are relevant, up-to-date and effective. which will take into account any changes to the Group's business environment, operations and business strategies/objectives; and
- d) To evaluate the effects on the risks (if any) of the Group as a result of the findings of the internal auditor and/or any independent review carried out for the Audit Committee.

Whistleblowing

Committee shall review the Group's arrangements for its employees to raise concerns in confidence, about 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.

- a) The ARMC Chair and/or his appointed representative(s) will be the custodian of this process.
- b) The names and email addresses of the Whistleblowing representatives will be provided to all employees of the Company.
- c) Any information on the provider of the Whistleblowing information must be kept in the strictest confidence by the appointed representative.
- d) The appointed representative(s) will have the right to utilize any resources available (including the internal audit function) to identify and conclude each case that is brought to the attention of the representatives.
- e) The ARMC will report on any such whistleblowing activity at the periodic meetings and for onward reporting to the Board, if deemed necessary.

Corporate Governance

The Committee's responsibilities include:

- (a) To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) To review and monitor the training and continuous professional development of Directors and Senior Management;
- (c) To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) To develop, review and monitor the code of conduct and compliance/risk management manual (if any) applicable to employees and Directors;
- (e) To review the Company's compliance with Paragraph 26 to Part 1 of the AIM Rules for Companies and disclosure in its Corporate Governance Report/Statement;
- (f) To report to the Board on its decisions or recommendations (unless there are legal or regulatory restrictions on its ability to do so); and
- (g) To prepare a summary of its work during the year for inclusion in the Company's Corporate Governance Report/Statement (including a report on the corporate governance policies and the work of the Committee during the year)

Others

- a) To review half yearly reporting to AIM and year end annual financial statements of the Group before submission to the Board, focusing on:
 - compliance with accounting standards and regulatory requirements;
 - any major changes in accounting policies and practices; and
 - Significant and unusual items and events as well as significant adjustments arising from the audit.
- b) To review any related party transaction and conflict-of-interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

- c) Review the statement with regard to the state of risk management and internal controls of the Group for inclusion in the Annual Report and report the same to the Board;
- d) Oversee the Group's internal control structure to ensure administrative, operational and financial effectiveness and efficiency, reduce risk of inaccurate financial reporting, protect the Group's assets from misappropriation and encourage legal and regulatory compliance;
- e) To promptly report to AIM if it is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the LR; and
- f) To consider any other functions as may be agreed between the Committee and the Board.

10. Elected Members

For information on the current members of the Committee, please refer to the Company's corporate website at www.malverninternational.com/corporate-governance/