

## **SYSGROUP PLC (the “Company”)**

### **TERMS OF REFERENCE FOR THE AUDIT COMMITTEE (the “Committee”)**

(adopted on 4 January 2013 conditional on admission to AIM)

(Updated and approved 25 March 2024, 27 February 2025 and approved 26 February 2026)

#### **1. Constitution**

The Committee was constituted at a meeting of the Board of directors of the Company (the “**Board**”), conditional on admission of the Company’s issued shares to trading on AIM (“**Admission**”) and is to be known as the “**Audit Committee**.”

#### **2. Membership**

- 2.1 The members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the chairman of the Audit Committee. All of the members of the Committee should be independent non-executive directors. Appointments to the Committee shall be for an initial period of up to three years, which may be extended provided the director continues to be independent and still meets the criteria for membership of the Committee.
- 2.2 The Committee shall have at least two members and at least one member should have recent and relevant financial experience. At least one Remuneration Committee member should sit on the Audit Committee where possible, and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The chairman of the Board may serve on the Committee if he or she is considered independent.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, the Executive Chairman, Chief Financial Officer, internal audit and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.
- 2.4 The board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

#### **3. Secretary**

The company secretary, or their nominee, shall act as the secretary of the Committee 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.

#### **4. Quorum and voting arrangements**

- 4.1 A quorum shall be any two members of the Committee.
- 4.2 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 4.3 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly, has a personal interest, that member shall not be permitted to vote at the meeting.
- 4.4 Save where he has a personal interest, the Chairman shall have a casting vote.

#### **5. Frequency of meetings**

- 5.1 The Committee will meet at least three times a year at appropriate intervals in the financial reporting and audit cycle. The Committee may meet at other times during the year if they consider it necessary.

5.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the board Executive Chairman, the Chief Financial Officer, the external audit lead partner and internal audit.

## 6. **Notice of meetings**

6.1 Meetings of the Committee shall be called by the secretary of the Committee or the Chairman at the request of any of its members or at the request of the external or internal auditors 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 the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.

## 7. **Minutes of meetings**

7.1 The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

## 8. **Engagement with shareholders**

8.1 The Chairman should make himself available at each Annual General Meeting of the Company to answer shareholder questions concerning the Committee's work during the preceding year. In addition, the Committee Chairman should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## 9. **Duties**

The Committee should have oversight of the group as a whole and, unless required by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### 9.1 Financial reporting

9.1.1 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, and review and report to the Board on significant financial reporting issues and judgements which those statements contain, having regard to matters communicated to it by the auditor. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

9.1.2 The Committee shall review and challenge where necessary:

9.1.2.1 the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company and its subsidiaries (together the "**Group**");

9.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

9.1.2.3 whether the Group has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

9.1.2.4 the clarity and completeness of disclosure in the Group's financial reports and the context in which statements are made; and

9.1.2.5 all material information presented with the financial statements, including the strategic report and any corporate governance statements relating to audit and risk management.

9.1.3 The Committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation.

9.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its view to the Board.

## 9.2 Narrative reporting

9.2.1 Where the board seeks the Committee's advice on whether the content of the annual report and accounts is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's performance, business model and strategy, the Committee should also advise the board on whether the annual report and accounts informs the board's statement in the annual report on these matters.

## 9.3 Internal controls and risk management systems

The Committee shall:

9.3.1 keep under review the effectiveness of the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;

9.3.2 undertake an annual assessment of whether the control environment is sufficient or should be supplemented with a dedicated internal audit function or resource;

9.3.3 review and recommend to the Board the appropriate risk appetite for the Group across all major activities, taking into account the Group's strategy, its stakeholders and strategic partners, its future plans and other internal information as well as the macro environment;

9.3.4 ensure a robust assessment of the emerging principal risks facing the Group is undertaken and that procedures are in place to identify emerging risks including advice on managing and mitigating those risks. Potential risks to be considered on a proportionate and material basis including those relating to climate; and

9.3.5 review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

9.3.6 oversee the effectiveness of controls relating to information security, cyber risk and data protection where these present material financial or regulatory risk.

9.3.7 The Committee shall receive risk reports from the Risk Sub-Committee and consider its recommendations.

9.3.8 The Committee shall review the Group's insurance arrangements, including annual renewal proposals, and consider the recommendations of the Company's insurance broker and the Risk Sub-Committee in relation to the scope, adequacy and cost of cover.

## 9.4 Compliance, speaking-up and fraud

9.4.1 The Committee shall review the adequacy and security of the Group's arrangements for its employees, contractors and external parties 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.

- 9.4.2 The Committee shall review the procedures and the Company's systems and controls for preventing and detecting fraud, bribery, corruption and other economic crime including compliance with the Bribery Act 2010 and receive reports on non-compliance.
- 9.4.3 The Committee shall review and recommend the adoption of the whistleblowing policy and any revisions thereafter. The Committee shall receive periodic reports (including nil reports) on whistleblowing concerns raised, investigations undertaken and outcomes, whilst preserving appropriate confidentiality.

## 9.5 Finance Function

The Committee shall (to the extent applicable):

- 9.5.1 monitor and review the effectiveness of the Group's internal finance function in the context of the Group's overall risk management system ensuring that internal controls are robust to manage the identified risks adequately;
- 9.5.2 consider and approve the role of and mandate the purpose of the finance function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 9.5.3 carry out an annual assessment of the effectiveness of the finance function to determine whether it is satisfied that the quality, experience and expertise is appropriate for the business;
- 9.5.4 review promptly all reports on the Group from the financial controller;
- 9.5.5 review and monitor management's responsiveness to the findings and recommendations of the financial controller; and
- 9.5.6 consider whether an independent, third-party review of processes is appropriate.

## 9.6 External audit

The Committee shall:

- 9.6.1 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;
- 9.6.2 develop and oversee the selection procedure 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 tendering process;
- 9.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.6.4 oversee the relationship with the external auditor including (but not limited to):
  - 9.6.4.1 approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - 9.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 9.6.4.3 assessing annually their independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the 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;
- 9.6.4.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 9.6.4.5 agreeing with the Board a policy on the employment of former employees of the Group's auditor, taking into account the Ethical Standard and legal requirements, then monitoring the application of this policy;
  - 9.6.4.6 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;
  - 9.6.4.7 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;
  - 9.6.4.8 assessing annually their qualifications, expertise and resources and the independence of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
  - 9.6.4.9 seeking to ensure co-ordination with the activities of the finance function;
  - 9.6.4.10 evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communication with the Committee;
  - 9.6.4.11 considering the risk of withdrawal of the Group's present auditor from the market.
- 9.6.5 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 9.6.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 9.6.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 9.6.7.1 a discussion of any major issues which arose during the audit;
  - 9.6.7.2 the auditor's explanation of how the risks to audit quality were addressed;
  - 9.6.7.3 key accounting and audit judgements;
  - 9.6.7.4 the auditor's view of their interactions with senior management;
  - 9.6.7.5 levels of errors identified during the audit; and
  - 9.6.7.6 the effectiveness of the audit;
- 9.6.8 review any representation letter(s) requested by the external auditor before they are signed by management;
- 9.6.9 review the management letter and management's response to the auditor's findings and recommendations;

- 9.6.10 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;
- 9.6.11 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## 10. **Reporting responsibilities**

- 10.1 The Committee Chairman shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
  - 10.1.1 the significant issues that it considered in relation to the financial statement and how these were addressed;
  - 10.1.2 its assessment of the effectiveness of the external audit process, 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 tendering plans; and
  - 10.1.3 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 to shareholders on its activities to be included in the Company's annual report. The report should describe the work of the Audit Committee, including:
  - 10.3.1 the significant issues that the Committee considered in relation to the financial statements and how these were addressed;
  - 10.3.2 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 the tenure of the current audit firm, when a tender was last conducted and advance notice of any tendering plans;
  - 10.3.3 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.
- 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 are significant in relation to the financial statements 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 could provide cross-references to that information.

## 11. **Other matters**

- 11.1 The Committee shall:
  - 11.1.1 have access to sufficient resources in order to carry out its duties, including access to the company secretary for advice and assistance as required;
  - 11.1.2 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;
  - 11.1.3 give due consideration to applicable laws and regulations, the provisions of the QCA Corporate Governance Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and the requirements of the London Stock Exchange's rules for AIM companies as appropriate for a company of the Company's size and development;

- 11.1.4 be responsible for co-ordination of the internal and external auditors;
- 11.1.5 oversee any investigation of activities which are within its terms of reference;
- 11.1.6 work and liaise as necessary with all other Board Committees ensuring interaction between Committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- 11.1.7 ensure that a periodic evaluation of the Committee's performance is carried out;
- 11.1.8 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; and
- 11.1.9 consider such other matters as may be requested by the Board.

## 12. **Authority**

- 12.1 The Committee is authorised to:
  - 12.1.1 examine any activity within its terms of reference;
  - 12.1.2 have unrestricted access to the Company's external auditor;
  - 12.1.3 obtain, at the Company's expense, professional advice on any matter within its terms of reference;
  - 12.1.4 seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee. The Committee shall have the right to call any member of staff or director to be questioned at a meeting of the Committee as and when required;
  - 12.1.5 have the right to publish in the Company's annual report details of any issue 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.