

HARDIDE PLC & SUBSIDIARIES

(‘Hardide’ or the ‘Company’)

TERMS OF REFERENCE

for

THE AUDIT COMMITTEE

(the ‘Committee’)

As adopted on 17th August 2018, by the Board of the Company
(the ‘Board’)

1. Membership

- 1.1. The Board shall select the members of the Committee and appoint the chairman. The Committee shall be made up of at least two members.
- 1.2. Members of the Committee shall be independent non-executive directors, at least one of whom should have recent and relevant financial experience.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board (‘Chairman’), chief executive officer (‘CEO’) or finance director may be invited to attend all or part of any meeting as and when appropriate.
- 1.4. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5. Appointments to the Committee shall be for a period of three years, which may be extended for further periods, provided the director remains independent.

2. Secretary

- 2.1. One of the members of the Committee or their nominee shall act as the secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members. 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. Frequency of Meetings

- 4.1. The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external auditors if they consider it necessary.
- 5.2. 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, any other person required to attend and all other non-executive directors, no later than five working 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. Minutes of Meetings

- 6.1. One of the members of the Committee or a nominee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. At the beginning of each meeting, the members of the Committee shall ascertain between themselves the existence of any conflicts of interest, how they are to be dealt with and minute accordingly.
- 6.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists; in which case the minutes for the meeting shall be redacted suitably and then circulated.

7. Annual General Meeting

- 7.1. The chairman of the Committee shall attend the Annual General Meeting ('AGM') prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee should carry out the duties below:

8.1. Financial Reporting

- 8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. 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.
- 8.1.2. The Committee shall review and challenge where necessary:
 - 8.1.2.1. the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Company;
 - 8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 8.1.2.4. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - 8.1.2.5. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and 'policy' aspects of risk management delegated to it by the Board or by the Risk Management Committee).

8.2. Internal Controls and Risk Management Systems

The Committee shall:

- 8.2.1. review and challenge the effectiveness of the Company's internal controls, risk identification and risk management¹ systems; and
- 8.2.2. review and approve the statements to be included in the annual report concerning internal controls, risk identification and risk management.

8.3. Whistleblowing and Fraud

The Committee shall:

- 8.3.1. review the Company's arrangements for its employees to raise concerns, in confidence and with impunity, about possible wrong-doing 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; and
- 8.3.2. review and enforce the Company's policies and procedures for detecting and preventing bribery and fraud and for ensuring compliance with the UK Bribery Act 2010, the US Foreign Corrupt Practices Act 1977 (as amended), the US Whistleblowing Protection Enhancement Act 2012, the State of Virginia Fraud, Abuse and Whistle-Blower Protection Act and all relevant legislation in those jurisdictions where the Company operates and/or is an employer.

8.4. External Audit

The Committee shall:

- 8.4.1. make recommendations to the Board with respect to matters to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 8.4.2. oversee the relationship with the external auditor including (but not limited to):
 - i approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - ii approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - iii assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - iv satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business).
- 8.4.3. 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.
- 8.4.4. receive, review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.

¹ Identification and management of 'operational' risk falls to the Risk Committee of the Board.

8.4.5. 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 that arose during the audit;
- ii any accounting and audit judgements;
- iii levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit including but not limited to:

8.4.6. review any representation letter(s) requested by the external auditor before they are signed by management;

8.4.7. review the management letter and management's response to the auditor's findings and recommendations;

8.4.8. maintain awareness of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter and take action if required.

8.5. Reporting responsibilities

8.5.1. The Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.5.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8.5.3. The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

8.6. Other matters

The Committee shall:

8.6.1. have access to sufficient resources in order to carry out its duties;

8.6.2. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules as appropriate;

8.6.3. oversee any investigation of activities which are within its terms of reference;

8.6.4. at suitable intervals, 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.

9. Authority

The Committee is authorised to:

9.1. seek, if necessary in confidence, any information it requires from any employee of the Company, in order to perform its duties;

9.2. obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference and at reasonable cost;

9.3. call any employee to be questioned at a meeting of the Committee as and when required.

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