

**SOUND ENERGY PLC**  
**(the “Company”)**

**Terms of Reference of the**  
**Audit Committee (the “Committee”) of the**  
**Board of Directors**

**1. Committee Composition, Procedures and Organisation**

- 1.1 Members of the Committee shall be appointed by the Board on the recommendation of the Remuneration and Nomination Committee, in consultation with the chair of the Committee.
- 1.2 Appointments to the Committee shall be for a period of up to three years, which may be extended, provided the member still meets the membership criteria.
- 1.3 The Committee shall consist of no fewer than two members, the majority of whom shall be independent, non-executive directors (“NED(s)”). At least one member shall have recent and relevant financial experience.
- 1.4 The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee.
- 1.5 The Board shall appoint a member of the Committee as Chair of the Committee (the “Committee Chair”), who is to be a NED. If a Committee Chair is not designated by the Board or is not present at a meeting of the Committee, the members of the Committee may designate a Chair by majority vote of the Committee
- 1.6 The Secretary or the Assistant Secretary of the Company, or in their absence, an alternative secretary designated by the Committee, shall act as the Committee Secretary.

**2. Meetings**

- 2.1 The quorum for the meeting shall be two members of the Committee present in person or by telephone or any other means which permits all persons participating in the meeting to speak to and hear each other.
- 2.2 The Committee shall meet at least three times per year at appropriate intervals in the financial reporting and audit cycle and when deemed necessary and at such locations as

may be requested by the Committee Chair and at such times as any member of the Committee may request.

- 2.3 Only members of the Committee shall have the right to attend Committee meetings. However, the finance director and members of the finance team will be invited to attend meetings of the Committee on a regular basis and other persons may be invited by the Committee Chair with the agreement of the Committee to attend for all or any part of any meeting.
- 2.4 Meetings of the Committee shall be called by the Committee Secretary for a time and place requested by any of the Committee members. Unless otherwise agreed by the members.
- 2.5 Unless otherwise agreed by the members, 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 to any other person required to attend within a reasonable time prior to the date of the meeting. Supporting papers shall be sent to Committee members and attendees at the same time. Any member of the Committee shall be entitled, by notice to the Committee Secretary, to include other matters relevant to the functions of the Committee in the agenda of a Committee meeting.
- 2.6 The Committee Secretary shall minute the proceedings of all Committee meetings.
- 2.7 Draft minutes shall be agreed with the Committee Chair then circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless, exceptionally, it would be inappropriate to do so.

### **3. Committee Duties and Responsibilities**

- 3.1 The Committee's principal responsibility is one of oversight for:
  - 3.1.1 the integrity of the Company's financial statements and other formal announcements relating to the Company's financial performance;
  - 3.1.2 the effectiveness of the risk management and internal control systems including the result of reviews of the system and management's response to review findings; and
  - 3.1.3 the appropriateness of the Company's relationship with the external auditor and the objectivity of the audit process.

## **3.2 Financial Reporting**

The Committee shall:

- 3.2.1 monitor the preparation and 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;
- 3.2.2 advise the Board, independently from the executive directors and the external auditors, whether it considers the Company's corporate reporting, including the annual report and accounts, to be fair, balanced and understandable;
- 3.2.3 review and challenge where necessary:
  - 3.2.3.1 the application of significant accounting policies and any changes to them;
  - 3.2.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 3.2.3.3 whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
  - 3.2.3.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and
  - 3.2.3.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.

## **3.3 Internal Controls and Risk Management**

The Committee shall support the Board in embedding a sound system of financial risk management and internal control and have oversight on the effectiveness of those systems. In particular, it shall:

- 3.3.1 keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;

- 3.3.2 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;
- 3.3.3 discuss with the external auditor and management as necessary the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- 3.3.4 review management's plans and strategies around investment practices, banking performance and treasury risk management; and
- 3.3.5 review management's procedures to ensure compliance by the Company with its loan covenants and restrictions, if any.

### **3.4 External Audit**

The Committee shall:

- 3.4.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting ("**AGM**"), in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 3.4.2 ensure that at least every [10] years the audit service contract is put to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individual during the duration of the tendering process;
- 3.4.3 develop and oversee the selection procedure for the appointment of the audit firm in accordance regulatory requirements;
- 3.4.4 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 3.4.5 oversee the relationship with the external auditor. In this context the Committee shall:
  - 3.4.5.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted, and
  - 3.4.5.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

- 3.4.6 assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the ethical standards and other professional requirements and the group's 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;
- 3.4.7 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;
- 3.4.8 agree with the Board a policy on the Company hiring employees and former employees of the Company's external auditor or former external auditor;
- 3.4.9 monitor the auditor's processes for maintaining independence;
- 3.4.10 assess annually the qualifications, expertise and resources, and independence 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;
- 3.4.11 seek to ensure coordination of the external audit with the activities of the internal audit function where existing;
- 3.4.12 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre- approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements;
- 3.4.13 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, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 3.4.14 discuss with the external auditor the factors that could affect audit quality and 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;
- 3.4.15 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- 3.4.15.1 a discussion of any major issues which arose during the audit;
- 3.4.15.2 the auditor's explanation of how the risks to audit quality were addressed;
- 3.5.14.3 key accounting and audit judgements;
- 3.4.15.3 the auditor's view of their interactions with senior management; and levels of errors identified during the audit.

3.4.16 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; and

3.4.17 review major changes to the Company's auditing and accounting principles and practices suggested by the external auditor.

### **3.5 Annual General Meeting**

3.5.1 The Committee Chair shall attend the AGM of the Company prepared to respond to any shareholder questions on the Committee's activities.

## **4. Committee Authority**

4.1 The Committee is authorised to obtain advice and assistance from internal and external legal, accounting or other advisors as the Committee requires for the performance of its duties; advising the Board of its selection of outside experts and reporting to the Board the findings of those experts.

4.2 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and to call any employee to be questioned at a meeting of the Committee as and when required.

## **5. Reporting Responsibilities**

5.1 The Committee Chair shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report to the Board on how it has discharged its duties.

## **6. Evaluation of Committee Performance**

6.1 The Committee shall periodically assess its performance and that of the Committee Chair and report the outcomes of such reviews to the Board

**7. Amendments to Terms of Reference**

7.1 The Committee's terms of reference may be amended at any time by the Board.

**8. Currency of Terms of Reference**

8.1 These Terms of Reference were approved by the Board on 17 January 2023.