

## **AUDIT COMMITTEE TERMS OF REFERENCE**

### **Overall Objective**

The UK Corporate Governance Code, published in July 2018 (the '2018 Code'), is applicable to all companies with a premium listing (AIM is not a premium listing), whether incorporated in the UK or elsewhere, and applies to accounting periods beginning on or after 1 January 2019.

Notwithstanding the above, AIM Rule 26 now requires an AIM company to provide "details of a recognised corporate governance code that the board of directors of the company has decided to apply, how the company complies with that code and, where it departs from its chosen code, an explanation for the reasons for doing so". Having voluntarily adopted previous versions of the UK Corporate Governance Code, JSG has chosen to apply the 2018 Code.

Section 4 of the Code, "Audit, Risk and Internal Control", requires that:

- the board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements;
- the board should present a fair, balanced and understandable assessment of the company's position and prospects; and
- the board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

The Board has delegated day to day responsibility of the above to the Audit Committee (the "Committee").

### **Authority**

The Board authorises the Committee to:

- Seek any information it requires from:
  - any employee (and all employees are directed to co-operate with any request made by the Audit Committee)
  - external bodies
- Obtain external professional advice, as appropriate.
- Request the attendance of officers of the Group, as appropriate.

### **Organisation**

#### *Membership*

The Committee shall comprise a minimum of two independent non-executive directors. The chair of the board shall not be a member. The board should satisfy itself that at least one member has recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the company operates. The Chairman of the Committee will be nominated by the Board from time to time. In the absence of the Committee Chairman, the members shall elect one of their number as Chairman for that meeting. Members will normally be appointed for the period of which they hold office as Directors. The secretary of the Committee will be the Company Secretary, or such other person as nominated by the Board.

## *Quorum*

The quorum necessary for the transaction of business shall be two. 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 or exercisable by the Committee.

## *Meetings*

Meetings shall be held not less than three times a year. Special meetings may be convened as required.

The Committee may invite such other persons to its meetings as it deems necessary and members of the Group Board may attend meetings if they so wish.

The Head of Internal Audit (or the individual responsible for the day to day performance of the Company's internal audit function) and Partner In Charge of the external audit may request a meeting with the Audit Committee at any time.

## *Minutes of meetings*

The proceedings and resolutions of all Committee meetings, including the names of those present and in attendance, shall be minuted.

Minutes of Committee meetings shall be circulated to all members of the Committee. Minutes, agenda and supporting papers, will be made available to any Director upon request to the Chairman, providing no conflict of interest exists.

## **Roles and Responsibilities**

The Committee will undertake, on behalf of the Board, responsibility for the oversight of financial reporting, internal control, and compliance with laws and regulations. The Committee, therefore, will undertake the following.

### ***1. Financial Reporting***

#### ***1.1 General***

- Review the Group's systems of internal control and, in particular, the systems of internal financial control and risk management.
- Consider any fraud, illegal acts, deficiencies in internal control and other similar issues.
- Review significant accounting and reporting issues, including current professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review any legal matters which could significantly impact the financial statements.
- Review the going concern assumption.

#### ***1.2 Financial Statements***

- Monitor the integrity of the financial statements of the Group, and any other formal announcements relating to the Group's financial performance and consider whether they are complete and consistent with the information known to the members.

- Review any complex and/or unusual transactions and balances, and those major areas requiring judgment including, inter alia, those involving the valuation of assets and liabilities; changes in accounting policies; warranties, product or environmental liability; litigation reserves; and other commitments and contingencies.
- Meet with management and the external auditors to review the financial statements and the results of the audit.
- Consider, and report their findings to the Board, whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

## **2. Internal Controls**

### **2.1 Internal Audit**

- Assist management to set an appropriate control culture within the Group by emphasising the importance of internal control and the management of risk within the Group.
- Assess whether internal control recommendations made by internal auditors have been implemented by management.
- Review the activities and organisational structure and effectiveness of the internal audit function and ensure that no unjustified restrictions or limitations are made.
- Review the adequacy of the internal audit resources and ensure that personnel are suitably qualified.
- If requested meet separately with the Head of Internal Audit (or the individual responsible for the day to day performance of the Company's internal audit function) to discuss any matters that the Committee or auditors believe should be discussed privately.

### **2.2 External Audit**

- Review the external auditors' proposed audit scope and approach, taking into account UK professional and regulatory requirements, and ensure that no unjustified restrictions or limitations have been placed on the scope of their work.
- Assess whether internal control recommendations made by external auditors have been implemented by management.
- Review the effectiveness of the external auditors.
- Review the independence, and objectivity of the external auditors.
- Consider the policy on the engagement of the external auditor to supply non audit services, after due consideration of current ethical guidance.
- Recommend to the Board the appointment, re-appointment and removal of the external auditors and to approve the remuneration and the terms of engagement of the external auditor.
- If requested meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.

### **3. Compliance Matters**

#### **3.1 Laws and Regulations**

- Review the effectiveness of the system for monitoring compliance with laws, regulations, Codes and best practice and the results of management's investigation and follow up (including disciplinary action) of any fraudulent acts or non-compliance.
- Obtain regular updates from management and/or the Group's legal advisors regarding compliance matters.
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies.

#### **3.2 Code of Ethics & Anti-Bribery Policy (together, the 'Code')**

- Ensure that all employees are aware of the Code and have access to it.
- Review the process for monitoring compliance with the Code.
- Obtain regular updates from management regarding compliance.
- Ensure that appropriate arrangements are in place by which employees may raise concerns, in confidence, regarding any suspected breaches of the Code.

### **4. Reporting Responsibilities**

- Regularly update the Board on Committee activities and circulate the minutes of all meetings to the Board.
- Ensure that the Board is aware of any matters which may significantly impact the financial condition or affairs of the business.

### **5. Other Responsibilities**

- Perform other oversight functions as requested by the Board, to include as a minimum, a review of directors' expenses and other benefits.
- If necessary, institute special investigations and, if appropriate, take legal advice or hire experts to assist.
- Review and update the Committee Terms of Reference as required and submit changes to the Board for approval.
- Evaluate the Committee's own performance on a regular basis.