

## **SAVANNAH ENERGY PLC (THE 'COMPANY')**

### **AUDIT COMMITTEE**

#### **TERMS OF REFERENCE**

Reviewed and approved by the board of directors of the Company (the "**Board**") on 3 December 2020 and subsequently reviewed and approved by the Board on 21 September 2023 following certain amendments and updates.

#### **1. CONSTITUTION**

The Audit Committee (the "**Committee**") was constituted as a committee of the Board in accordance with the articles of association of the Company at a full meeting of the Board held on 12 July 2014 (originally constituted as the Audit and Risk Committee). The role and responsibilities of the Committee shall be as detailed in these terms of reference and shall not be amended except with the approval of the Board.

#### **2. PURPOSE OF THE COMMITTEE**

The purpose of the Committee is to monitor the Company's financial reporting processes and the integrity of the Company's financial statements (including monitoring the preparation of the annual and half yearly accounts and reports and any other formal announcement relating to its financial performance). The Committee also oversees and monitors the audit of the Company's financial statements and the independence of the external auditors.

#### **3. DUTIES OF THE COMMITTEE**

The roles and responsibilities of the Committee are to:

##### **Financial and Narrative Reporting**

- 3.1 monitor the integrity of the financial statements of the Company and its Group, including its annual and half yearly reports, any discussion and analysis of the financial condition and results of operations of the Company, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to the matters communicated by the external 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;
- 3.2 in particular the Committee shall, review and challenge where necessary:
  - 3.2.1 the consistency and application of, and any changes to, significant accounting policies both on a year on year basis and across the Company and the Group;
  - 3.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 3.2.3 whether the Company has followed appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 3.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made including the review of any correspondence between the Company and its external auditor;

- 3.2.5 any significant adjustments or unadjusted audit differences resulting from the audit; and
- 3.2.6 review/operating and financial review and any corporate governance statement (insofar as it relates to the audit and the report by the Audit Committee);
- 3.3 review any other statements requiring Board approval which contain financial information, significant financial returns to regulators and any other financial information contained in certain other documents, such as announcements of a price sensitive nature, 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;
- 3.4 report its views to the Board, where the Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board;
- 3.5 where requested by the Board, review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy;

#### **Internal Audit**

- 3.6 Review at least annually whether and in what form the Company will have an internal audit function and make an appropriate recommendation to the Board. In the event that an internal audit function is established the Committee shall:
  - 3.6.1 approve the appointment or termination of appointment of the head of internal audit;
  - 3.6.2 review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
  - 3.6.3 review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out. The Committee shall pay particular attention to the areas in which the work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and overseeing these relationships to ensure they are coordinated and operating effectively to avoid duplication;
  - 3.6.4 ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
  - 3.6.5 ensure the internal auditor has direct access to the Chair and to the Committee chair, providing independence from the executive and accountability to the Committee;
  - 3.6.6 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:
  - 3.6.7 meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;

- 3.6.8 receive a report on the results of the internal auditor's work;
- 3.6.9 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
- 3.6.10 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- 3.6.11 monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor;

#### **Compliance, speaking-up and fraud**

- 3.7 monitor, oversee and assess the Group's a strategy and framework of policies, procedures, systems and controls to identify, assess, manage and report on compliance matters relating to:
  - 3.7.1 the prevention and detection of financial and non-financial fraud and receive from the executive directors of the Company a report of all significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or employees who have a significant role in the Company's internal controls;
  - 3.7.2 the prevention of tax evasion and the facilitation of tax evasion;
  - 3.7.3 the Company's conduct policies and procedures; and
  - 3.7.4 the prevention of bribery, corruption, money-laundering and modern slavery and receive reports on non-compliance and review regular reports from the Company Secretary,

#### **External Audit**

- 3.8 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. If the external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 3.9 ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and oversee the selection process and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process. The Committee shall also ensure that the Group complies with any statutory requirements regarding the mandatory rotation of auditors;
- 3.10 oversee co-ordinate the activities of, and the relationship with, the external auditor including (but not limited to):
  - 3.10.1 negotiating and agreeing their terms of engagement and remuneration, considering at least annually the fees for audit and all non-audit services and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- 3.10.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
- 3.10.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- 3.10.4 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) which could adversely affect the auditor's independence and objectivity;
- 3.10.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of and compliance with this policy;
- 3.10.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
- 3.10.7 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, any material issues raised by the independent auditor's internal quality control review, peer review or any governmental or other professional inquiry performed within the past five years, and any remedial actions implemented by the firm, taking into consideration professional and regulatory requirements;
- 3.10.8 seeking to ensure co-ordination with the activities of the internal audit function (if any);
- 3.10.9 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market on that evaluation;
- 3.10.10 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 taking into account applicable law, regulation and the ethical standards;
- 3.11 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, without management being present, to discuss their remit and any issues arising from the audit;
- 3.12 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;
- 3.13 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 3.13.1 a discussion of any major issues which arose during the audit;

- 3.13.2 key accounting and audit judgements;
- 3.13.3 the auditor's explanation of how the risks to audit quality were addressed;
- 3.13.4 levels of errors identified during the audit;
- 3.13.5 the auditor's view of their interactions with senior management; and
- 3.13.6 the effectiveness of the audit,
- 3.14 review any representation letter(s) requested by the external auditor before they are signed by management;
- 3.15 review the management letter and management's response to the auditor's findings and recommendations;
- 3.16 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;

### **Reporting**

- 3.17 report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. The report shall include:
  - 3.17.1 the significant issues that it had considered in relation to the financial statements and how these were addressed; and
  - 3.17.2 the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor,
- 3.18 make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 3.19 compile a report to shareholders on its activities to be included in the company's annual report. The report shall include an explanation of how the Committee has addressed the effectiveness of the external audit process, the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor, and all other information requirements under the Quoted Companies Alliance Code that the Group chooses to disclose, having regard to its size and stage of development;

### **General**

- 3.20 keep itself informed of any investigation of activities which are within its terms of reference and oversee such investigation when appropriate and review the findings;
- 3.21 make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 3.22 consider such other matters as may be requested by the Board, working and liaising as necessary with all other Board Committees;
- 3.23 be responsible for ensuring that there is appropriate co-ordination between the internal and external audit functions;

- 3.24 where there is an overlap of responsibilities between the Audit Committee and any other Board Committees, the respective committee chairs shall have the discretion to agree the most appropriate committee to fulfil any obligation;
- 3.25 give due consideration to applicable laws and regulations and good governance, including the general duties of directors set out in the Companies Act 2006, the provisions of the QCA Corporate Governance Code and the requirements of the London Stock Exchange's rules for AIM Companies as appropriate;
- 3.26 arrange for periodic reviews of its own performance and, 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
- 3.27 perform any other activities consistent with the Company's Articles of Association and governing law of the Company as the Board or the Committee shall deem appropriate, including, where necessary, holding meetings with the Company's brokers and financial analysts.

#### 4. **MEMBERSHIP**

- 4.1 The Board shall appoint the chair of the Committee (the "**Committee Chair**") who shall be an independent Non-Executive Director (but not the Chair of the Board). In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 4.2 The members of the Committee shall be appointed by the Board, in consultation with the Committee Chair. All of the members of the Committee should be independent Non-Executive Directors, unless otherwise approved by the Board.
- 4.3 The Committee shall have at least three members. At least one member should have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Group operates. The Chair of the Board may be a member of the Committee, provided that he or she was considered independent on appointment as Chair.
- 4.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the members continue to remain independent, unless otherwise approved by the Board.
- 4.5 If a regular member of the Committee is unable to act due to absence, illness or any other cause, the Committee Chair or in his absence the Board, may appoint another Director to serve as an alternate member provided that all of the members of the Committee are independent Non-Executive Directors.

#### 5. **COMMITTEE MEETINGS**

##### **Attendance**

- 5.1 Only members of the Committee have the right to attend meetings of the Committee. However, the Chief Financial Officer, the group financial controller, head of 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 and necessary.
- 5.2 Meetings of the Committee may be conducted when all or any of the members are either physically present together or participating by audio or video conference.

### **Quorum**

- 5.3 The quorum necessary for the transaction of business will be at least two members of the Committee. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.
- 5.4 A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

### **Voting Arrangements**

- 6. Decisions of the Committee will be made by majority vote. In the event of an equality of votes, except where he or she has a personal interest, the Committee Chair shall have a casting vote.
- 6.1 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.
- 6.2 Save where he or she has a personal interest, the Committee Chair will have a casting vote.

### **Frequency of meetings**

- 6.3 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 as agreed between the members of the Committee or as required.
- 6.4 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair, Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and head of internal audit (if any).

### **Secretary**

- 6.5 The Company Secretary or his or her nominee shall be 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 all issues.
- 6.6 Unless impractical, the person serving as Company Secretary should not also be the Chief Financial Officer. Where the Chief Financial Officer is also the Company Secretary, alternative arrangements should be put in place to avoid any vulnerabilities and conflicts of interest that may otherwise arise.
- 6.7 The Company Secretary should advise the Chair with a view to ensuring that all relevant financial and non-financial reporting and risk issues are addressed by the Committee.

### **Notice of Meetings**

- 6.8 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 if necessary.
- 6.9 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.

### **Minutes**

- 6.10 The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted.
- 6.11 Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chair .

## **7. AUTHORITY**

The Committee is authorised by the Board to:

- 7.1 examine any activity within its terms of reference;
- 7.2 have unrestricted access to the Company's external auditors;
- 7.3 seek any information it requires from any Director of the Company, any employee of the Group or consultant or other provider of services to the Group, in order to perform its duties and all such persons or firms will be directed to co-operate with any request made by the Committee.
- 7.4 call any employee to be questioned at a meeting of the Committee as and when required; and
- 7.5 obtain, at the Company's expense, professional advice on any matter within its terms of reference provided that the Committee will have due regard to their fiduciary duty to the Company and will only incur such costs as are reasonable in the circumstances.

## **8. GENERAL MATTERS**

- 8.1 The Committee Chair should make himself or herself available at each Annual General Meeting of the Company to answer questions on the activities of the Committee.
- 8.2 The Committee shall:
  - 8.2.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required; and
  - 8.2.2 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.

**Adopted by resolution of the Board on 21 September 2023.**