

ECO BUILDINGS GROUP PLC

AUDIT & RISK COMMITTEE - TERMS OF REFERENCE

The audit committee of the Company (the **Audit Committee**) has been established as a board committee in accordance with the Company's articles of association by resolution of the board of directors (the **Board**) passed on 2022.

1. Membership

- 1.1. The members of the Audit Committee shall be appointed by the Board from amongst the non-executive directors. The Board must be satisfied that at least one member of the Audit Committee has recent and relevant financial experience.
- 1.2. The Audit Committee shall have at least two members. The majority of members shall be independent non-executive directors that is, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgment. The first members shall be Don Nicolson (who will act as Chairperson) Sir Mark Lyall Grant and Ahmet Shala. A quorum shall be two members. A duly convened meeting of the Audit 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 Audit Committee.
- 1.3. Appointments to the Audit Committee should be made by the Board in consultation with the chairperson of the Audit Committee (Chairperson). The Chairperson shall be appointed by the Board. In the absence of the Chairperson, the remaining members present shall elect one of their number to chair the meeting.
- 1.4. If a member is unable to act for any reason, the Chairperson may appoint another non-executive director as an additional member.
- 1.5. Appointments shall be made for a period of up to three years, extendable by no more than two additional three year periods, so long as members continue to be independent.

2. Secretary

- 2.1. The secretary of the Audit Committee shall be the secretary of the Company or such other person as the Audit Committee may appoint.

3. Attendance at meetings

- 3.1. Only members of the Audit Committee have the right to attend Committee meetings, however the Audit Committee may invite any person it thinks appropriate to join the members of the Audit Committee at its meetings.
- 3.2. The Chief Financial Officer and a representative of the external auditors should normally be invited to attend meetings of the Audit Committee.
- 3.3. At least once a year the Audit Committee shall meet with the external auditors without the Chief Financial Officer or any other executive director present.

4. Frequency of meetings

- 4.1. At least two meetings shall be held each year. These meetings shall be convened by the secretary of the Audit Committee at the request of its Chairperson.
- 4.2. In addition, any of the Chairperson of the Audit Committee, the Chairperson of the Board, the Chief Executive Officer, the Chief Financial Officer or the external auditors may ask the secretary of the Audit Committee to convene a meeting if they consider that such a meeting is necessary or appropriate. Further, the external auditors and the Chief Financial Officer may have access to the Chairperson or any other member of the Audit Committee as required in relation to any matter falling within the remit of the Audit Committee.

5. MEETINGS AND QUORUM

- 5.1. The quorum necessary for the transaction of business shall be any two (2) members. A duly convened meeting of the Audit 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 Audit Committee.

- 5.2. Members may participate in a meeting of the Audit Committee by means of conference telephone or other communication equipment.
 - 5.3. Any matter to be determined by the Audit Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose. Any action of the Audit Committee may also be taken by an instrument or instruments in writing signed by all of the members of the Audit Committee (including in counterparts) and any such action shall be as effective as if it had been decided by a majority of the votes cast at a meeting of the Audit Committee called for such purpose.
6. Authority
 - 6.1. The Audit Committee is authorised by the Board to:
 - 6.1.1. investigate any activity within its terms of reference;
 - 6.1.2. seek any information it requires from any employee;
 - 6.1.3. obtain outside legal or other independent professional advice at the Company's expense when the Audit Committee reasonably believes it is necessary to do so; and
 - 6.1.4. instruct external professional advisers to attend any meeting at the Company's expense if the Audit Committee considers this necessary or appropriate.
7. Function and duties
 - 7.1. Generally, the function of the Audit Committee is to establish formal and transparent arrangements for considering how to apply the financial reporting and internal control principles and to maintain an appropriate relationship with external auditors.
 - 7.2. The responsibilities of the Audit Committee shall be to:
 - 7.2.1. monitor, in discussion with the external auditors, the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them. This shall include:
 - 7.2.2. considering whether the Company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgments;
 - 7.2.3. reviewing the clarity and completeness of disclosures in the financial statements and considering whether the disclosures made are set properly in context;
 - 7.2.4. where the Audit Committee is not satisfied with any aspect of the proposed financial reporting of the Company, reporting its view to the Board;
 - 7.2.5. reviewing related information presented with the financial statements and corporate governance statements relating to the audit and to risk management; and
 - 7.2.6. where Board approval is required for other statements containing financial information (for example, summary financial information or releases of price sensitive information) whenever practicable the Audit Committee should review such statements first;
 - 7.2.7. review the Company's internal financial controls and, unless expressly addressed by a separate Board risk committee composed of independent directors, or by the Board itself, to review the Company's internal control and risk management systems. This shall include:
 - 7.2.8. reviewing the Company's systems established to identify, assess, manage and monitor financial risks;
 - 7.2.9. receiving reports from management on the effectiveness of the systems they have established and the conclusions of any testing carried out by internal and external auditors; and
 - 7.2.10. except where dealt with by the Board or risk management committee, reviewing and approving the statements included in the annual report in relation to internal control and the management of risk;
 - 7.2.11. monitor and review the effectiveness of the Company's internal audit function and, where there is no internal audit function, consider annually whether there is a need for an internal audit function and make a recommendation to the Board. This shall include:

- 7.2.12. considering whether there are any trends or current factors relevant to the Company's activities, markets or other aspects of its external environment, that have increased, or are expected to increase, the risks faced by the Company;
 - 7.2.13. considering any adverse internal trends evident from the monitoring of internal control systems or an increased incidence of unexpected occurrences;
 - 7.2.14. in the absence of an internal audit function, assessing whether other internal monitoring processes provide sufficient and objective assurance; and
 - 7.2.15. approving the appointment or termination of appointment of the head of internal audit and continually reviewing the work of the internal audit function;
 - 7.2.16. make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and the terms of engagement of the external auditor. This shall include:
 - 7.2.17. overseeing the selection process;
 - 7.2.18. annually assessing the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process;
 - 7.2.19. reviewing and agreeing the engagement letter at the start of each audit, ensuring that it has been updated to reflect changes in circumstances which have arisen in the previous year;
 - 7.2.20. discussing and agreeing the scope with the external auditor and arranging for additional work to be undertaken as necessary; and
 - 7.2.21. satisfying itself that the level of fee payable is appropriate and that an effective audit can be conducted for such a fee;
 - 7.2.22. review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements. This shall include considering all relationships between the Company and the audit firm (including the provision of non-audit services) and whether such relationships impair the external auditor's judgment or independence#
 - 7.2.23. develop and implement a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board identifying any matters in respect of which it considers that any action or improvement is needed and making any recommendations as to the steps to be taken. This shall include setting and applying a formal policy specifying the types of non-audit work which the external auditors will not be permitted to carry out for the Company and those which are permitted subject to the prior consent of the Audit Committee; and
 - 7.2.24. review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for proportionate and independent investigations of such matters with appropriate follow-up action.
8. Reporting to shareholders
- 8.1. The Audit Committee should report annually on the Board's behalf to the Company's shareholders. Its report should accompany the directors' report in the Company's annual report and accounts and should include such information as is required to comply with the UK Corporate Governance or, where the Audit Committee has determined that there are good reasons for not so complying, an explanation of those reasons. Notwithstanding the above, the Audit Committee's annual report should include:
 - 8.1.1.a summary of the role of the Audit Committee;
 - 8.1.2.the names and qualifications of all members of the Audit Committee during the relevant period;
 - 8.1.3.the number of Audit Committee meetings;
 - 8.1.4.a report on the way the Audit Committee has discharged its responsibilities; and

8.1.5. an explanation for any non-audit work carried out by the external audit firm as referred to in paragraph 7.2.6 above.

8.2. The Chairperson should attend the Company's annual general meeting for the purpose of handling any questions or enquiries at the meeting about the latest audit and any other matters pertaining to the work of the Audit Committee.

9. Minutes

9.1. The secretary of the Audit Committee shall circulate the minutes of each meeting of the Audit Committee to all members of the Board and to the external auditors.