

# Harbour Energy plc

## Audit and Risk Committee

### Terms of Reference

#### 1 Constitution

1.1 The Audit and Risk Committee (the “Committee”) is established as a committee of the Board of Directors. 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 Role

2.1 The role of the Committee is:

2.1.1 to monitor the integrity of the Company’s financial statements and any formal announcements relating to the Company’s financial performance, reviewing significant financial reporting judgements contained in them;

2.1.2 to monitor and review the effectiveness of the Company’s risk management and internal control systems;

2.1.3 to monitor and review the effectiveness and objectivity of the Company’s Internal Audit and Risk Management function;

2.1.4 to oversee co-ordination of the internal and external auditors;

2.1.5 to review the external auditors’ independence and objectivity and the effectiveness of the audit process, taking into consideration relevant laws, regulations and ethical codes;

2.1.6 to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant laws, regulations and ethical guidance regarding the provision of non-audit services by the external audit firm; and

2.1.7 to monitor the enforcement of the Company’s Group Code of Conduct and the adequacy and security of its whistleblowing procedures.

#### 3 Membership

3.1 The Committee shall comprise not less than three non-executive directors of the Company.

3.2 The members of the Committee shall be appointed by the Board of Directors, on the recommendation of the Nomination Committee in consultation with the Chair of the Committee.

3.3 All members of the Committee shall be independent non-executive directors, as determined by the Board.

3.4 The Chair of the Board shall not be a member of the Committee.

- 3.5 At least one member of the Committee shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sectors in which the Company operates.
- 3.6 The Board shall appoint the Committee Chair and may at any time remove him or her from that office. In the absence of the Committee Chair or an appointed deputy at a meeting of the Committee, the remaining members present shall appoint one of their number to chair the meeting.
- 3.7 Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.

## **4 Committee Secretary**

- 4.1 The Company Secretary or his or her nominee shall act as the Secretary of the Committee and will provide all necessary support to the Committee.

## **5 Quorum**

- 5.1 The quorum necessary for the transaction of business shall be two members. Recommendations to the Board arising at each meeting of the Committee shall be decided by majority vote.

## **6 Attendance**

- 6.1 Only members of the Committee have the right to attend Committee meetings.
- 6.2 The external auditors will normally be invited to attend meetings of the Committee on a regular basis, as will the Finance Director, the Group Financial Controller, and the VP Internal Audit & Risk Management.
- 6.3 Other members of the Leadership Team or senior management may be invited to attend Committee meetings from time to time.

## **7 Notice of Meetings**

- 7.1 Meetings of the Committee shall be summoned by the Secretary of the Committee after discussion with the Committee Chair. Special meetings may be requested by any member of the Committee. In the event that the external or internal auditors request that a special meeting of the Committee is convened, the request should be submitted to the Committee Chair for his / her consideration.
- 7.2 Unless otherwise agreed, notice of each meeting shall be forwarded to each Committee member and to other attendees (as appropriate) in advance of each scheduled meeting date, together with an agenda and supporting papers. The Secretary shall ensure that agendas and supporting papers are received in a timely manner to enable full and proper consideration.

## **8 Frequency of Meetings**

- 8.1 The Committee shall meet not less than three times in each calendar year. The timing of all such meetings shall be at the discretion of the members of the Committee, but will coincide with key stages within the financial reporting and operational review and external audit cycles, in particular when the plans (operational reviews and external audit) are available for review, when half year and full year reports on operational review

findings are available, and when half-yearly results statements, preliminary announcements and the full annual report are near completion.

## 9 Minutes of meetings

- 9.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 Minutes of Committee Meetings shall be circulated to the Committee Chair for review and subsequently to all members of the Committee. Any Board member may, on request to the Secretary, obtain a copy of the papers prepared for the Committee.

## 10 Shareholder Engagement

- 10.1 The Committee Chair shall attend the Company's Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.
- 10.2 The Committee Chair and/or Committee members will make themselves available should shareholders seek engagement on significant matters related to the Committee's areas of responsibility.

## 11 Authority

11.1 The Committee is authorised by the Board:

- 11.1.1 to seek any information it requires from any employee of the Company;
- 11.1.2 to call any employee to a meeting to be questioned;
- 11.1.3 to employ the service of such advisers as it deems necessary or appropriate to fulfil its responsibilities;
- 11.1.4 to investigate any activity it deems necessary to carry out its duties;
- 11.1.5 to obtain independent professional advice at the Company's expense; and
- 11.1.6 to have the right to publish in the annual report narrative should the Board not accept the Committee's recommendation on the external auditor appointment, re-appointment or removal.

It shall be the responsibility of the Company Secretary to ensure that information required under 11.1.1 is made available in a timely manner.

## 12 Duties

12.1 The duties of the Committee shall be as follows:

### **Internal Control, Risk Management and Internal Audit**

The Committee shall:

- 12.1.1 Advise the Board of its assessment of the principal risks inherent and emerging in the business;
- 12.1.2 provide the Board with an assurance map demonstrating sources of assurance for each of the agreed Principal risks;
- 12.1.3 review and annually endorse the company's Internal Audit Programme;

- 12.1.4 on an ongoing basis, assess the scope and effectiveness of the internal audit and risk management framework and systems and processes established by management to identify, assess, manage and monitor the risks facing the business, with a particular focus on financial, legal, information system (including IT and cyber), joint venture and supply chain risks<sup>12</sup>;
- 12.1.5 review and assess plans for reviewing the effectiveness of the Company's systems of risk management and internal control taking into account the principal risks inherent and emerging in the business and the system of internal control necessary to monitor such risks;
- 12.1.6 consider the results of internal audits and reviews and the actions required for the continuous improvement of the risk management and internal control framework;
- 12.1.7 review the remit and the expertise, objectivity and effectiveness of the work of those responsible for developing the above-mentioned Internal Audit Programme and of those carrying out the audits and reviews;
- 12.1.8 review management's responsiveness to the findings and recommendations arising from the audits and reviews;
- 12.1.9 review the procedures for monitoring compliance with the Global Code of Conduct, with particular reference to systems and controls for the prevention of bribery and the prevention and detection of fraud, and receive reports on any non-compliance;
- 12.1.10 review arrangements by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters in order to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- 12.1.11 review and approve statements included in the Annual Report and Accounts in relation to the systems of internal control and the management of risk;
- 12.1.12 review and recommend to the Board the viability statement to be included in the Annual Report and Accounts in relation to the Directors' assessment of the prospects of the Company and its ability to continue in operation and meet its liabilities as they fall due over the period of their assessment;
- 12.1.13 approve the appointment and removal of the VP Internal Audit and Risk Manager and meet privately with him or her at least once a year;
- 12.1.14 consider any material change proposed to the scope of the internal audit function and make a recommendation to the Board; and
- 12.1.15 approve the annual Audit and Assurance policy document.

**Published Information**

The Committee shall:

- 12.1.16 review with management and the external auditors the integrity of the annual and half year financial statements before submission to the Board, focusing in particular on:

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<sup>1</sup> And including other risks as requested by the Board from time to time.

<sup>2</sup> Note, HSES and personal physical security sit with the HSES Committee

- the consistency of and the appropriateness of any changes to accounting policies;
- the accounting treatment and effect of significant or unusual transactions, and how they are disclosed;
- the appropriateness of assumptions and judgements in items subject to estimation, taking into account the external auditor's view;
- significant adjustments resulting from the audit and any unadjusted items identified during the audit together with management's explanations as to why they have not been adjusted;
- the appropriateness of adopting the going concern assumption, identifying any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- compliance with financial reporting standards;
- compliance with stock exchange and legal requirements; and
- the clarity and completeness of disclosures;

12.1.17 review related information presented with the financial statements, including the Strategic Report, and corporate governance statements relating to the audit and to risk management and internal control, assessing in particular whether the narrative in the front of the report is consistent with the financial statements, and advise the Board on whether, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy; and

12.1.18 review any other formal announcements or reports relating to the Company's operating and/or financial performance, such as trading and operations updates and reserves reports, unless they are reviewed by the Board as a whole, to assess that they are fair, balanced and understandable.

### ***External Audit***

The Committee shall:

#### **Appointment, reappointment and resignation**

12.1.19 be responsible for the procedure for the selection of the external auditor and make recommendations to the Board, for it to put to the Company's shareholders for approval at the AGM, in relation to the appointment, reappointment and removal of the external auditors and approve the remuneration and terms of appointment of the external auditors;

12.1.20 if the Board does not accept the Committee's recommendation on the appointment, re-appointment or removal of external auditors, prepare a statement explaining the Committee's recommendation to be included in the Company's Annual Report and in any papers recommending appointment, reappointment or removal, together with the Board's reasons for taking a different position;

12.1.21 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, in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process; and

12.1.22 if any auditor resigns, investigate the issues leading to this and decide whether any action is required.

**Terms of engagement**

12.1.23 oversee the relationship with the external auditors, including (but not limited to):

- the negotiation and approval of their terms of engagement, including the scope of the audit and the level of remuneration in respect of audit services provided; and
- the review and approval of the engagement letter issued at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year.

**Independence and expertise**

12.1.24 review, monitor and assess annually the external auditor's expertise, resources, independence and objectivity taking into consideration relevant UK law, professional and regulatory requirements;

12.1.25 seek annually from the external auditors information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff; and

12.1.26 satisfy itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.

### **Non-audit services**

12.1.27 review and monitor the appropriateness of the provision of non-audit services to the Company by the auditor, taking into account ethical guidance and legal requirements, ensuring that the provision of such services does not impair the external auditors' independence and objectivity; and

12.1.28 develop and recommend to the Board a policy on (i) the engagement of the auditors to supply non-audit services; and (ii) the employment of former employees of the external auditors, taking into account any relevant law, ethical guidance and regulatory requirements on this matter.

### **Audit cycle**

12.1.29 review the annual audit plan and ensure that it is consistent with the scope of the audit engagement letter;

12.1.30 review the findings, conclusions and recommendations of the external auditors (including any recommendations for improvements in internal financial controls and/or reporting processes). This shall include, but not be limited to, the following:

- a discussion of any major issues which arose during the audit;
- any accounting and audit judgments;
- levels of errors identified during the audit;
- review the management letter and management's response to the external auditors' findings and recommendations;
- factors that could affect audit quality and the auditor's explanation of how the risks to audit quality were addressed; and
- any other matters the external auditors may wish to discuss (in the absence of management where necessary);

12.1.31 review any representation letter requested by the external financial auditor before it is signed by management, giving particular attention to non-standard issues,

12.1.32 review the effectiveness and quality 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;

12.1.33 review and monitor the statutory audit of the annual and consolidated financial statements, in particular, the auditor's performance, taking into account any findings and conclusions by the Financial Reporting Council to inform the Board of the outcome of the audit; and

12.1.34 meet the external auditors at least twice a year (including once at the planning stage before the audit and once after the audit at the reporting stage) without management being present, to discuss their remit and any issues arising from the audit.

### **Reporting Responsibilities**

12.1.35 The Committee Chair shall report formally to the Board on how the Committee has discharged its responsibilities, including:

- the results of reviews of the effectiveness of the systems for risk management and internal control (including operational controls);
- the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor;
- the results of the external audit and how it contributed to the integrity of financial reporting including the role of the Committee in that process; and
- any other issues on which the Board has requested the Committee's opinion, in such cases, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

12.1.36 The Committee shall compile a report to be included in the Company's Annual Report that describes the work of the Committee in discharging its responsibilities, including:

- significant issues addressed relating to financial statements;
- how the Committee has assessed the independence, quality and effectiveness of the external audit process;
- approach taken on reappointment of the external auditor including tenure, the last tender and notice of any re-tendering plans;
- how auditor independence and objectivity are safeguarded if non-audit services are provided; and
- the results of the review of effectiveness of the systems for risk management and internal controls.

12.1.37 The Committee shall annually review its terms of reference and its effectiveness and recommend any changes it considers necessary to the Board.

## 13 General

13.1 The Committee shall 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. Individual training shall be discussed and agreed with the Company Secretary.

13.2 The Committee shall work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.

13.3 In carrying out its duties, the Committee shall give due consideration to all relevant laws and regulations, in particular, the directors duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.

Approved by the Audit & Risk Committee	23 August 2022
Approved by the Board of Directors	2 November 2022