

HYDROGEN GROUP PLC

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1 PURPOSE

The Audit Committee is a sub-committee of the Board and shall be appointed by it in accordance with the Company's Articles of Association. Its purpose is to assist the Board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. The Audit Committee has no executive powers with regard to its recommendations and does not relieve the directors of their responsibilities for these matters.

2 MEMBERSHIP

- a) The audit committee will consist of a minimum of two members, each of whom shall be an independent Non-Executive Director.
- b) If at any time there is only one independent non-executive director on the Board, the Committee will consist of one independent non-executive director and one other non-executive director.
- c) The Audit Committee Chairman, members, and the term of appointment of each member shall be determined by the Board.
- d) At least one member of the Audit Committee shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.

Membership of the Committee will be reviewed by the Board on an annual basis.

- e) The Finance Director and the external auditor shall not be members of the Audit Committee but may be invited to attend meetings, or relevant parts of meetings, at the request of the Committee Chairman.

3 MEETINGS

- a) The Audit Committee shall meet at the request of its Chairman, but not less than three times a year (such meetings to be held to coincide with key dates within the financial reporting and audit cycle).
- b) Two Non-Executive Directors shall constitute a quorum.
- c) Meetings will be chaired by the Committee Chairman. In the absence of a Committee chairperson, the remaining Committee members present shall elect one of themselves as chairperson.
- d) Unless otherwise agreed, notice of each meeting will be given to members of the Committee and to any other person required to attend at least three working days before the date of the meeting.
- e) Meetings may be held by conference call or by electronic means, so long as those present can hear each other and contribute simultaneously to the meeting.
- f) In exceptional circumstances and as approved by the Board, decisions of the Audit Committee may be made by written resolution, signed by all members of the Committee.

- g) The Audit Committee will, at least annually, meet the external and internal auditors, if any, without management, to discuss matters relating to its remit and any issues arising from the audits.
- h) Outside the formal meeting programme, the Committee Chairman will maintain a regular dialogue with those primarily responsible for governance and financial accounting matters, including the Chairman, the finance director and the external audit lead partner.

4 RESOURCES

The Company Secretary will assist the Audit Committee on all Audit Committee matters, including assisting the Audit Committee Chairman in planning the Audit Committee's work, drawing up meeting agendas, maintaining minutes, drafting material about the Audit Committee's activities for the annual report, collecting and distributing information and providing any necessary practical support.

5 AUTHORITY

- a) In carrying out its duties the Audit Committee shall have the authority to discuss directly with management, internal auditors, if any, or the external auditors (and in the presence of the Executive Directors or otherwise) any issue within its remit and to request reports, explanations and information on any of the activities, procedures or accounting disclosures in the Hydrogen Group.
- b) The Board authorises the Audit Committee to investigate any activity within its terms of reference and seek any information it requires from any employee, (all employees being directed to co-operate with any such request by the Committee) and to obtain outside legal or other independent professional advice at the cost of the Company.
- c) The Audit Committee shall have appropriate funding from the Company for payment of amounts incurred in the performance of its duties, including, but not limited to:
 - i) Professional fees and reasonable expenses for any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services for the Company;
 - ii) Professional fees and reasonable expenses for any other external advisors employed by the Audit Committee; and
 - iii) Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties

subject to a maximum agreed between the Board and the Audit Committee Chairman.

6 DUTIES AND RESPONSIBILITIES

In carrying out its duties under these terms of reference, the Audit Committee will have regard to the QCA Corporate Governance Code for small and mid-size quoted companies, as well as the AIM Rules and associated guidance.

The Audit Committee will undertake duties in the following areas, or otherwise as requested by the Board:

a) Financial Reporting

- i) Monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;
- ii) Consider and challenge where necessary any changes to significant accounting policies and whether the Company has followed appropriate accounting standards, taking into account the views of the external auditor;
- iii) Before submission to the Board, review, and challenge, where necessary, the actions and judgements of management in relation to the interim and annual financial statements, paying particular attention to:
 - critical accounting policies and practices, and any changes in them;
 - the strength and effectiveness of operational and financial controls within the business in implementing and supporting those accounting policies;
 - decisions requiring a major element of judgement;
 - the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - the clarity of disclosures;
 - significant adjustments resulting from the audit;
 - the going concern assumption;
 - dividend policy and the level of distributable reserves
 - compliance with accounting standards;
 - compliance with AIM Rules and other legal and regulatory requirements;
- iv) Review any representation letter requested by the external auditor and management's response;
- v) Review on behalf of the Board the clarity, fairness and completeness of disclosure in published statements, including the business review and relevant corporate governance statements;
- vi) Provide a judgement for the Board on whether the annual report and accounts as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

b) Internal Control and Risk Management

- i) Keep under review the adequacy and effectiveness of the Company's internal financial controls; review the Company's systems of internal control and risk management and any statements on these matters for inclusion in the annual report;
- ii) Consider annually whether there should be an internal audit function and make recommendations to the Board accordingly.

c) Policies

- i) Review the adequacy of arrangements by which staff of the Company and contractors working within the Company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters ("whistle-blowing policy) and ensure that the arrangements allow for the proportionate and independent investigation of such matters and appropriate follow up action;
- ii) Review at least annually the Company's anti-fraud and anti-bribery procedures and any instances of non-compliance.

d) External Audit

- i) Review and approve audit plans submitted by the external auditor;
- ii) Receive the overall remuneration paid to external auditors by Group companies, including fees for both audit and non-audit services;
- iii) Approve on behalf of the Board the terms of the principal external auditor's engagement and the scope of work to be undertaken;
- iv) Be responsible for the oversight of the work of the external auditor engaged by Hydrogen Group plc ("the Company") (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attestation service for the Company (subject to approval of the shareholders as may be required by law).
- v) Review the findings of each audit with the external auditor, including any major issues identified, key accounting and audit judgements, the materiality of any errors and the effectiveness of the audit process.
- vi) Review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process for the Company, taking into consideration relevant UK professional and regulatory requirements and the relationship between the Group and the auditor as a whole;
- vii) Develop and implement 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;
- viii) Monitor the costs of any non-audit services provided by the external auditor;
- ix) Review from time to time the need for rotation of the external audit lead partner or for the audit services contract to be put out to tender, in line with relevant corporate governance guidelines and accounting bodies' recommendations, and oversee any process for selection of an external auditor.
- x) Make recommendations for the Board to put forward for shareholder approval in general meeting proposals in relation to the appointment, re-appointment and removal of the external auditor and seeking authority for the Board to approve the remuneration and terms of engagement of the external auditor;
- xi) Prepare a summary of activities for inclusion in the annual report, to include information on the appointment of the auditor, including tendering policy and frequency, the tenure of the incumbent and any contractual obligations or risks which might affect the Committee's choice of auditor;

e) Financial Oversight

- i) Identify to the Board any matters in respect of financial control, accounting, audit or risk management where the Committee considers that action or improvement is needed, making recommendations as to the steps to be taken;
- ii) Consider any other topics delegated to it by the Board.

7 REPORTING AND REVIEW

- a) Once the minutes of Audit Committee meetings have been approved by the Committee Chairman, the Secretary will circulate the minutes to all members of the Board, unless, in the opinion of the Committee Chairman, it would be inappropriate to do so.
- b) The Chairman of the Audit Committee will report to the full Board on matters discussed by the Audit Committee, at the next available opportunity.
- c) The Chairman of the Audit Committee shall attend the Board meetings at which the annual and interim financial statements are approved and shall, on request, be available to attend the AGM or any shareholder meetings at which questions on audit matters may be raised.
- d) The Audit Committee shall review annually its effectiveness, as part of the overall Board evaluation, and recommend any necessary changes to the Board.
- e) These terms of reference will be reviewed annually by the Audit Committee.

**Adopted by the Audit Committee
22 August 2013**

**Approved by the Board
5 September 2013**

**Reviewed by the Board
5 February 2015**

**Reviewed and updated by the Board
14 September 2018**