

Checkit plc

Audit Committee

Terms of Reference

1. Constitution

The Board of Checkit plc has established a Committee of the Board to be known as the Audit Committee ("the Committee").

2. Membership

Members of the Committee shall be appointed by the Board. It will comprise at least two members.

At least one member should have recent and relevant financial knowledge and experience, extensive business experience, knowledge of financial markets; understanding of management practices and operational risks, both generally and in the company's industry; and knowledge of any relevant specialist regulatory or legal requirements.¹ The Committee as a whole shall have competence relevant to the sector in which the Company operates.²

The Committee shall be made up of at least two non-executive directors and both shall be independent³ unless there is only one independent non-executive Director appointed to the board in which case that independent director shall be a member of Committee.

The Chair of the Committee shall be independent.

The Committee shall provide shareholders with an explanation as to why the Committee is properly constituted in the letter to shareholders issued each year. One member of the Committee (including any temporary members) shall form a quorum.

Appointments shall be 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.⁴

The Chairman of the Committee shall be appointed by the Board. In the absence of the Committee Chairman, the remaining members present shall elect one of their member present to chair the meeting.

The Company Secretary shall be the Secretary of the Committee. The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration is given to issues.

¹ QCA Audit Committee Guide, composition of the audit committee

² QCA Governance Code 2018, Principle 6

³ QCA Audit Committee Guide, composition of the audit committee

⁴ FRC Guidance on Audit Committees, section 2 paragraph 9

3. Attendance at Meetings

Only members of the Committee have the right to attend Committee meetings. However, other individuals including the Chairman of the Board (if executive), Chief Executive Officer, Chief Financial Officer, other Directors and representatives from the Company's Finance function may be invited to attend all or part of any meeting as and when appropriate.

Representatives of the external auditor will normally be invited to attend meetings of the Committee on a regular basis.

The Committee shall have at least one meeting per annum, or part thereof, with the external auditor without management being present.

4. Frequency of Meetings

Meetings shall be held not less than thrice per year (Interim Results, audit plan approval & Preliminary Results) and the Committee may request reports from time to time between meetings. The external auditor may request a meeting if they consider that one is necessary, by giving not less than five working days' notice.

The external auditor has a right of access to the Chairman of the Audit Committee at any time.

5. Notice of Meetings

Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any member thereof or at the request of the external or internal auditors if they consider necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no fewer than two working days prior to the date of the meeting.

6. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions of the Committee's activities.

7. Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any director or employee and all directors and employees are directed to co-operate with any request made by the Committee.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice at the Company's expense, and to secure the attendance of outsiders with relevant expertise if it considers this necessary.

The Committee has the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

The Committee shall review the effectiveness of the control mechanisms in place to manage the Company's risk. It is within the Board's authority to judge whether the risk arising from the systems is acceptable.

8. Duties

The key responsibilities of the Committee shall be to consider and make recommendations to the Board on the effectiveness and integrity of risk identification and risk management process across the business, manage relations with external auditors (to ensure that the annual audit is effective, objective and independent), review corporate reporting, including annual reports and accounts and communicate effectively with shareholders the extent of the Committee's activities⁵. In particular it shall:

- a) Consider and make recommendations through the Board to the shareholders in relation to the appointment, re-appointment and removal of external auditor. The Committee shall oversee the selection process for new auditors;
- b) Oversee the relationship with the external auditor including their independence and objectivity, approve of their remuneration, whether

fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted; approve of their terms of engagement, including any engagement letter issued at the start of each audit; review and approve the nature and scope of the annual audit plan;

- c) Review the half year and annual financial statements, focusing particularly on:
 - i. any changes in accounting policies and practices,
 - ii. major judgmental areas,
 - iii. the extent which the financial statements are affected by any unusual transactions,
 - iv. the clarity and consistency of disclosures, such that the Board presents a fair balanced and understandable assessment of the company's position and prospects,
 - v. significant adjustments resulting from the audit,
 - vi. the going concern assumption,

⁵ QCA Audit Committee Guide 2019 (key responsibilities)

- vii. compliance with accounting standards,
 - viii. compliance with stock exchange and legal requirements,
- d) Discuss problems and reservations arising from interim and final external audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary);
- e) Review the external auditors' management letter, management's response and that agreed corrective actions have been implemented;
- f) Review the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
- g) Consider the appointment (if considered appropriate and as reviewed at least annually) of an Internal Auditor, the fee rate agreed by the Chief Financial Officer, and any questions of resignation or dismissal;
- h) Consider periodic internal audit work plan, internal audit reports, the actions taken on the basis of agreed internal audit recommendations, and any other matters arising from the reports;
- i) Request the external or, if appointed, the internal auditor to conduct additional investigations or audits relating to:
- a. the adequacy of policies and procedures for the identification, assessment and management of risk,
 - b. suspected dishonest practices,
 - c. business control incidents,
 - d. other matters relating to the Company's governance and ethical policy;
 - e. policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.
- (j) Review the company's systems and controls for the prevention of bribery and receive reports on noncompliance; and
- (k) Consider other topics as defined by the Board.

9. Reporting Procedures

Minutes of meetings of the Committee shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

The Committee shall formally report to the Board on how it has discharged its responsibilities.⁶ This report shall include:

- a) the significant issues that the Committee considered in relation to the financial statements and how these were addressed, having regards to matters communicated to it by the external auditor;
- b) an explanation of how the Committee has assessed the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor, including information on the length of tenure the current audit firm and when the last tender was conducted;
- c) an explanation of how auditor objectivity and independence is safeguarded in light of non-audit services provided; and
- d) any other issues on which the Board has requested the Committee's opinion.

The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

The Committee shall include within the Company's Annual Report a description of the work of the Committee in how it has discharged its responsibilities, including⁷:

- significant issues considered in relation to the annual report and accounts and how they were dealt with, including going concern considerations;
- how the external audit process was assessed and the approach taken to the appointment/reappointment of the external auditor;
- the tenure of the current auditors and time of last tender;
- contractual restrictions on auditor choice; and
- how objectivity and independence are safe-guarded if the external auditor provides any other service.

10. Employee Disclosure (Whistleblowing)

The Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall satisfy itself that that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

⁶ FRC Guidance on Audit Committees, section 3 paragraph 29

⁷ QCA Audit Committee Guide 2019

11. Fraud Response Procedure

The Committee shall review the Company's procedures for detecting and responding to fraud.

12. Other Matters

The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required.

The Committee shall be responsible for co-ordination of the internal and external auditor in the event of a failure of the normal means of co-ordination through the Chief Financial Officer.

The Committee shall oversee any investigation of activities, which are within its terms of reference, and act as a court of the last resort.

The Committee should, on a regular basis, review its own performance, constitution and terms of reference to satisfy itself that it is operating at maximum effectiveness.

The Committee should be provided with appropriate and timely training, both in the form of an induction for new members and on an ongoing basis for existing members.

13. Publication of these terms

Copies of these terms of reference shall be made available on the Company's website and to shareholders on request.

These terms of reference were adopted in place of the previous terms of reference by resolution of the board passed on 23 February 2021.

Audit Committee Terms of Reference 01/03/2021