

Kinovo PLC

Terms of Reference of the Audit Committee

Adopted by resolution of the Board on 12 October 2021

1 Definitions

In this document:

- (a) **Board** means the board of directors of the Company;
- (b) **Chair** means the chair of the Board;
- (c) **Committee** means the Audit Committee of the Board;
- (d) **Committee Chair** means the member appointed as the chair of the Committee; and
- (e) **Company** means Kinovo PLC.

2 Purpose

The Committee is appointed by the Board to assist the Board in fulfilling its obligations relating to the integrity of the internal financial controls and financial reporting of the Company.

3 Constitution

The Committee was constituted at a full meeting of the Board in accordance with the articles of association of the Company.

4 Membership

- 4.1 The Committee shall be made up of at least two members. At least two of the members of the Committee shall be independent non-executive directors, one of whom shall have recent and relevant financial experience.
- 4.2 All members should have sufficient competence to understand, analyse and when necessary, challenge the management accounts and draft public financial statements.
- 4.3 Members of the Committee shall be appointed by the Board in consultation with the Committee 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.
- 4.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair, Chief Executive Officer, Chief Operational Officer, Finance Director, and other representatives from finance, risk and compliance team may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 4.6 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 4.7 The Board shall appoint the Committee Chair from among the members of the Committee who shall be an independent non-executive director. The Chair may be appointed as a member of the Committee and may be appointed as Committee Chair until such time as there is a qualified non-executive director to Chair the committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

5 Secretary

- 5.1 The secretary of the Company or his or her nominee shall act as 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.
- 5.2 In the absence of the secretary of the Committee, the members present at the meeting shall elect another person to act as secretary for the purposes of that meeting.

6 Quorum

The quorum necessary for the transaction of business shall be any two members, one of which shall have recent and relevant financial experience.

7 Meetings

- 7.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 7.2 Members may participate in a meeting of the Committee by means of conference telephone or other communication equipment.
- 7.3 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 7.4 If a matter being 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.
- 7.5 Any matter to be determined by the Committee shall be decided by a majority of the votes cast at a meeting of the Committee called for such purpose.
- 7.6 Save where he has a personal interest, the Committee Chair will have a casting vote.
- 7.7 Any action of the Committee may also be taken by an instrument or instruments in writing signed by all of the members of the 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 Committee called for such purpose.

7.8 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, Finance Director and the external audit lead partner.

8 Notice of meetings

8.1 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 any external audit lead partner or the head of internal audit (if any) if they consider it necessary.

8.2 Unless otherwise agreed by consent of all members in writing, 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, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

9 Minutes of meetings

9.1 The secretary of the Committee shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

9.2 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

9.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so.

10 Annual General Meeting

The Committee Chair shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

11 Duties

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

11.1 Financial reporting

11.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. 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.

11.1.2 In particular, the Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

11.2 Narrative reporting

Where requested by the Board, the Committee should 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.

11.3 Internal controls and risk management systems

The Committee shall:

- (a) keep under review the adequacy and effectiveness of the Company's internal financial controls and risk management systems and monitoring the proper implementation of such controls; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

11.4 Compliance, whistleblowing and fraud

The Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Company's procedures for detecting fraud; and
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

11.5 External audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting of shareholders, in relation to the appointment, re-appointment and removal of a firm as external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) ensure that at least once every 10 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 external 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;
- (c) oversee the relationship with the external auditor including (but not limited to):
 - (i) recommendations on 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;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - (iv) 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;
 - (v) review and approve the Company's hiring policy regarding partners, employees and former partners and employees of the present and any former auditor, then monitoring the implementation of this policy;
 - (vi) 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;
 - (vii) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - (viii) considering the risk of the withdrawal of the Company's present external auditor from the market; and
 - (ix) 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 external auditor from the market in that evaluation;
- (d) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the

external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

- (e) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (f) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) any accounting and audit judgements;
 - (iii) levels of errors identified during the audit; and
 - (iv) the effectiveness of the audit;
- (g) review any representation letter(s) requested by the external auditor before they are signed by management;
- (h) review the management letter and management's response to the auditor's findings and recommendations; and
- (i) develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

11.6 Reporting responsibilities

11.6.1 The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities, as set out herein. The report shall include:

- (a) the significant issues that it had considered in relation to the financial statements and how these were addressed;
 - i. the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor; and
 - ii. any other issues on which the Board has requested the Committee's opinion.
- (b) The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should include an explanation of:
 - 1. how the Committee has addressed the effectiveness of the external audit process;
 - 2. 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;
 - 3. an explanation of how auditor objectivity and independence is safeguarded; and

4. all other information requirements set out in the Quoted Companies Alliance (**QCA**) Corporate Governance Code for Small and Mid-size Quoted Companies (the **QCA Code**).

(d) In compiling the reports referred to above, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

11.7 Other matters

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company's secretary for assistance as required;
- (b) 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;
- (c) at all times give due consideration to the provisions and recommendations in the QCA Code, the QCA's Audit Committee Guide for Smaller Quoted Companies, the requirements of the AIM Rules for Companies published by the London Stock Exchange plc and any other applicable laws and published guidelines regarding audit committees for listed companies;
- (d) be responsible for co-ordination of the external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) arrange for periodic review 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
- (g) work and liaise as necessary with all other Board committees.

12 Authority

- 12.1 A duly convened meeting of the 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 Committee.
- 12.2 The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, legal or professional advice on any matter within its terms of reference.
- 12.3 The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.
- 12.4 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.