

# ISX010 – Audit Committee Charter

## ISX Financial EU PLC

### Corporate Governance Policies

Audit Committee Charter

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This Policy shall apply to the boards of :

- ISX Financial EU Plc (“ISX”, the “Company”, or “ISXPLC”)

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## 1. Establishment and Effectiveness of the Audit Committee

### 1.1. Establishment and Terms of Reference

The company will establish an Audit Committee comprising a minimum of three members (where possible). All members of the Audit Committee will be independent non-executive directors. One member, who does not chair the Board, shall be appointed to chair the Audit Committee. The secretary of the company shall be the secretary of the Audit Committee.

### 1.2. Membership and Appointment

The Board will appoint members to the Audit Committee based on recommendations from the nomination committee, with consultation from the audit committee chairman.

### 1.3. Skills, experience, and training

All Audit Committee members shall have a reasonable understanding of the sectors and industries in which the Company participates and will collectively possess competence relevant to the company's sector. Additionally, the Board will ensure that at least one Audit Committee member has recent and relevant financial, operational and regulatory risk experience, along with at least one member having accounting and/or related financial management expertise. The degree of financial literacy among other committee members will be tailored to the company's nature, with a typical requirement of experience in corporate financial matters.

### 1.4. Meeting of the audit committee

The Chairman of the Audit Committee, in coordination with the company secretary, will determine the frequency and schedule of committee meetings, aiming for a minimum of four meetings per year or as required.

Attendance at these meetings is restricted to the chairman, committee members, and, when required, the Chief Financial Officer, Group Compliance Officer who is responsible and manages the internal audit (whether outsourced or not), and external audit lead partner. Non-committee members may be invited to attend meetings on an occasional basis, particularly when audit matters are under discussion, and such invitations will be extended as deemed appropriate.

Additionally, the Audit Committee will annually meet separately with external and internal auditors, excluding management, to address matters within its remit and discuss audit-related issues.

## 1.5. Resources

The Audit Committee will have access to the services of the company secretariat for all matters, including planning the committee's work, agenda creation, minute-taking, drafting annual report content, information collection and distribution, and provision of necessary practical support.

The company secretary will ensure timely delivery of information and papers for thorough consideration.

The board will allocate funds to the audit committee to seek independent legal, accounting, or other advice when deemed necessary by the committee.

## 2. Roles and Responsibilities

### 2.1. Relationship with the Board

The audit committee will report to the board on the discharge of its responsibilities, including:

- Addressing significant issues related to the financial statements and detailing how these matters were resolved.
- Assessing the effectiveness of the external audit process and providing recommendations on the appointment or reappointment of the external auditor.
- Addressing any other issues requested by the board, offering opinions, and identifying areas needing action or improvement. Recommendations for necessary steps will be made.

In the event of a disagreement between the audit committee and the board, there will be adequate time for discussion to resolve the matter. If disagreements persist, the audit committee has the right to report the issue to shareholders as part of its activities in the annual report.

### 2.2. Annual report and other periodic reports

The audit committee is responsible for reviewing and reporting to the board on significant financial reporting issues and judgements related to the company's financial statements, interim reports, preliminary announcements, and formal statements. This includes matters communicated by the auditor.

Management, not the audit committee, is responsible for preparing complete and accurate financial statements in accordance with accounting standards. However, the audit committee should be informed by management about methods used for significant or unusual transactions with open accounting treatment options. The committee should also assess significant accounting policies and any changes.

The audit committee is tasked with reviewing the clarity and completeness of disclosures in financial statements and ensuring they are appropriately contextualized. If, after its review, the committee is dissatisfied with any aspect of the proposed financial reporting, it will report its views to the board.

### 2.3. Internal control and risk

The audit committee should ensure that an adequately resourced internal audit function – whether through the appointment of third party appropriately qualified auditors and/or internal resources, or its equivalent (e.g., third-party contractors), provides assurance and advice. The committee must review and approve the internal audit function's role, mandate, and annual plan. It should also monitor and assess the function's effectiveness.

The internal audit function evaluates risk, compliance, and finance functions within its plan. The audit committee approves the appointment or termination of the head of internal audit and ensures the function's independence with access to the audit committee and board chairman.

The internal audit function must also take into consideration risks raised by the Board Risk Committee, and develop and maintain appropriate controls and safeguards against such risks, where such controls and safeguards are procedural.

When reviewing the internal audit function's effectiveness, the audit committee confirms the appropriateness of its quality, experience, and expertise. It assesses management's actions in implementing recommendations and supporting the function's effective operation.

In the annual assessment, the audit committee:

1. Meets with the head of internal audit and/or head of third party internal auditor without management presence.
2. Reviews and assesses the annual internal audit work plan.
3. Receives a report on the results of internal auditors' work.
4. Monitors and assesses the internal audit function's role and effectiveness in the company's overall risk management system.
5. Regular review and monitoring of the independence and objectivity of the third party internal auditor, falling within the defined scope of the internal auditor's responsibilities.
6. Formulation and implementation of policies within the scope of the engagement of the internal auditor for non-audit services. Ensuring prior approval of such services, evaluating their impact on independence, and strict compliance with relevant regulations and ethical guidelines.
7. Reporting to the Board and company members on how the Audit Committee has discharged its responsibilities concerning the external audit, staying true to the defined scope within our Charter.

## 2.4. The External Audit Process

The audit committee holds the responsibility for overseeing the company's relations with the external auditor.

The focus within this scope encompasses the following key duties of the Audit Committee:

- Oversight of the company's management of non-audit relationships with appropriately registered audit firms, ensuring a fair selection of suitable external auditors in future tenders, acknowledging the need for increased market diversity and potential market opening measures.
- Leadership in the tender process, providing recommendations to the board concerning the appointment, reappointment, and removal of the external auditor, along with approval of remuneration and terms of engagement.
- Engagement with shareholders on matters related to the scope of the external audit, as deemed appropriate within the defined scope.
- Assurance of full access for the external auditor to company staff and records, falling within the boundaries of the established scope.
- Promotion of active challenge by the external auditor, with due consideration to raised points, and facilitation of changes to financial statements when required.
- Regular review and monitoring of the independence and objectivity of the external auditor, falling within the defined scope of the external auditor's responsibilities.
- Evaluation of the effectiveness of the external audit process.
- Formulation and implementation of policies within the scope of the engagement of the external auditor for non-audit services. Ensuring prior approval of such services, evaluating their impact on independence, and strict compliance with relevant regulations and ethical guidelines.
- Reporting to the Board and company members on how the Audit Committee has discharged its responsibilities concerning the external audit, staying true to the defined scope within our Charter.

The Audit Committee's responsibilities for oversight of the audit, and for the audit tender process, are discussed in more detail below.

### 2.4.1 Oversight of Auditors and Audits

The Audit Committee assumes responsibility for overseeing and evaluating the entity's external audit and the auditors. A fundamental aspect is cultivating a culture that

acknowledges the auditor's work and encourages constructive challenge. The Committee diligently reviews and monitors the external auditor's independence, objectivity, and the overall effectiveness of the external audit process.

The Audit Committee's oversight of the external audit hinges on a comprehensive evaluation of the audit process's effectiveness. This involves considering the auditor's mindset, culture, skills, character, knowledge, quality control, and judgment. The Committee pays particular attention to the auditors' robustness and perceptiveness in handling key judgments, responding to committee queries, and providing insightful commentary on internal control systems.

In the process of assessing effectiveness, the Audit Committee actively engages in the following:

- Seeks explanations from the auditor about identified risks to audit quality and their resolution.
- Discusses with the auditor the key controls at the firm and network levels employed to address risks, inquiring about internal and external inspection findings.
- Reviews the auditor's adherence to the agreed audit plan, understanding reasons for changes and the actions taken to address perceived audit risks.
- Gathers feedback on the audit conduct from key stakeholders, such as the finance director and head of internal audit, considering the auditor's reliance on internal audit.
- Monitors the content of the auditor's management letter and other communications, assessing their understanding of the company's business and the status of implemented recommendations.

The Audit Committee actively obtains evidence of audit effectiveness from various impacted parties, documenting the following approaches if utilized:

- Instances where the auditor challenged management and the outcomes of those challenges.
- The auditor's responses to previous assessments of audit quality and resolution of concerns expressed by the Committee.
- The auditor's own assessments of audit quality and the broader quality assurance systems.
- Engagement level Audit Quality Indicators agreed upon with the Committee for regular reporting.
- Auditor's response to FRC review findings, along with planned actions.
- Tailored surveys of a sample subject to audit, capturing their perspectives.
- Feedback from external sources, including investors.

The Audit Committee ensures that the quality of the audit aligns with high standards, substantiated by evidence, and justifies its conclusions through a thorough examination.

Referring to the annual audit plan and tender process commitments, the Committee evaluates whether these have been met, considering the deployment of resources outlined in the plan.

Regular, open communication is maintained between the Audit Committee, the auditor, and the entity's management, fostering collaboration and transparency.

The Audit Committee systematically documents how effective oversight has been achieved throughout the year and considers reporting on these aspects as deemed appropriate.

#### 2.4.2 Appointment & Tendering

The audit committee holds primary responsibility for appointing the auditor, encompassing negotiations on fees and audit scope, initiating tender processes, influencing the engagement partner's appointment, and making formal recommendations to the board regarding the appointment, reappointment, and removal of external auditors.

On an annual basis, the audit committee should evaluate and report to the board on the qualifications, expertise, resources, and independence of external auditors, along with the effectiveness of the audit process. This evaluation, which includes a recommendation on the reappointment of the external auditor, should comprehensively cover all aspects of the audit service provided by the audit firm. The committee should also obtain a report on the audit firm's internal quality control procedures and consider the annual transparency reports of audit firms.

In the event of the external auditor's resignation or removal, the audit committee is tasked with investigating the underlying issues and determining any necessary actions.

If a tender process is chosen, the Chief Executive Officer or Chief Financial Officer will arrange for a draft of a request for submissions. The request will contain comprehensive information about the Company, its operations, key personnel, structure, financials, and any other relevant details.

The preferred external auditor should align with the selection criteria, including:

1. Fees: Provide a firm fee quotation for audit services, considering it as one factor among others.
2. Independence: Satisfy the Audit Committee of independence and present procedures to maintain it.

The tendering process must be led by the Audit Committee. In no circumstances should executive management lead this critical process. The Committee is entrusted with initiating the tender, influencing the engagement partner's appointment, negotiating audit fees and scope, and formally recommending external auditor appointments to the board. The utilization of entity employees for research and evaluation is permissible under this leadership.

To foster a diverse audit market, the tendering process should actively include "challenger" audit firms without unwarranted restrictions. The Audit Committee bears the responsibility of ensuring that companies have an ample number of potential auditors, either independent or with the capability to achieve independence, facilitating healthy competition and broad choice in subsequent tenders. Additionally, tenders should be conducted with sufficient lead time for firms to navigate and exit relationships posing conflicts of interest.



The selection criteria applied must be transparent and impartial. Oversight of the selection process lies with the Audit Committee, guaranteeing equal access to information and individuals for all tendering firms. It is paramount that all tenders, regardless of their size, receive fair and objective consideration.

A fundamental principle in choosing an auditor is quality, encompassing independence, challenge, and technical competence. This choice should not be solely based on price or perceived cultural fit. Audit Committees must diligently scrutinize public reports on audit quality released by regulatory bodies like the Financial Reporting Council (FRC) and pertinent overseas regulators. Moreover, the review of audit quality indicators published by firms and/or the FRC is considered essential.

Active participation from all members of the Audit Committee is imperative throughout the tender process, extending beyond the final presentations made by audit firms. Their continuous engagement ensures a comprehensive and judicious evaluation.

The tender process will involve at least three audit firms, while noting that industries with limited expertise may face challenges in identifying more than two suitable candidates. Companies are encouraged to manage relationships with audit firms to maintain sufficient choice in future tenders, contributing to market diversity.

The Audit Committee is tasked with submitting two potential audit firm options for engagement to the Board, accompanied by a well-justified preference for one of them.

Consideration should be given to conducting a price-blind tender, emphasizing the primacy of quality over price in the selection process.

In instances where eligible audit firms express unwillingness to tender, proactive communication with these firms is necessary. The Audit Committee should seek to understand the reasons for their reluctance and consider the potential implications. Reminding such firms of the potential ineligibility for bidding on non-audit services ensures transparency and fairness in the process.

## 2.5. Terms of Remuneration

The audit committee is responsible for approving the terms of engagement and remuneration for audit services provided by the external auditor.

Furthermore, the audit committee should carefully review and agree upon the engagement letter issued by the external auditor at the commencement of each audit. This process ensures that the engagement letter is updated to accurately reflect any changes in circumstances since the previous year. The audit committee, in collaboration with the auditor, should also scrutinize the scope of the external audit. If the committee deems the scope inadequate, it should arrange for additional work to address any concerns.

## 2.6. Independence, including the provision of non-audit service.

The audit committee should annually request information from the audit firm regarding policies and processes for maintaining independence and monitoring compliance with relevant requirements, including rotation policies for audit partners and staff.

Additionally, the audit committee, in consultation with the board, should establish the company's policy regarding the employment of former employees of the external auditor. The typical rotation period for the audit engagement partner and key audit partners is five years, with a degree of flexibility. If needed to safeguard audit quality without compromising independence, the audit engagement partner may continue for an additional period of up to two years, not exceeding seven (7) years in total. The committee must disclose this to shareholders promptly.

To remain independent, an audit firm may not exceed ten (10) years total in its engagement with the Company. After ten (10) years, the company is expected to initiate a new tender process.

Furthermore, the audit committee is responsible for developing and recommending to the board the company's policy concerning the provision of non-audit services by the auditor. This includes setting and applying a formal policy specifying pre-approved types of non-audit services. The committee must also establish a policy for assessing the direct or material effect of non-audit services on the audited financial statements, explaining the estimation of this effect, and considering the external auditors' independence.

## 2.7. Annual Audit Cycle

The audit committee should ensure the presence of appropriate plans for the annual audit cycle's commencement.

Furthermore, the committee is responsible for reviewing and monitoring management's responsiveness to the external auditor's findings and recommendations. It should scrutinize audit representation letters before signing, particularly focusing on non-standard issues. The committee needs to assess the effectiveness of the audit process, considering aspects such as mindset and culture, skills, character and knowledge, quality control, and judgment.

In the evaluation of effectiveness, the audit committee should with respect to the external audit and any third party internal auditor:

1. Request the auditor to explain identified risks to audit quality and how they've been addressed.
2. Discuss key audit firm and network-level controls relied on by the auditor to address identified risks, along with findings from internal and external inspections.
3. Review whether the auditor met the agreed audit plan, understanding reasons for any changes, including alterations in perceived audit risks and the actions taken by external auditors to address those risks.

4. Obtain feedback on the audit's conduct from key individuals involved, such as the finance director and head of internal audit.
5. Review and monitor the content of the external and internal auditor's management letter and other communications, assessing their understanding of the company's business and ensuring recommendations have been addressed or understanding reasons for non-compliance.

### 3. Communication with shareholders

The annual report will feature a dedicated section outlining the audit committee's responsibilities, signed by the chairman. This section should cover the following aspects:

1. A summary of the role and work of the audit committee.
2. Details on how the audit committee composition requirements were addressed, including names and qualifications of all members.
3. The number of audit committee meetings.
4. Explanation of the performance evaluation process for the audit committee.
5. Assessment of the effectiveness of the external and internal audit process, including details on the appointment or reappointment of the external auditor, tenure, current audit partner, tender history, and retendering plans.
6. Information on the audit committee's policy for approving non-audit services, safeguarding auditor objectivity and independence, audit fees, and a breakdown of audit-related and non-audit work.
7. Evaluation of the effectiveness of internal and external audits, ensuring the quality, experience, and expertise align with business needs.
8. Discussion of significant issues, including matters related to financial statements, interaction with regulatory teams, and considerations regarding findings from audit quality reviews.

The chairman of the audit committee together with the Auditors lead(s) will be available at the AGM to address questions regarding this section of the annual report and matters within the audit committee's scope of responsibilities. The presentation of significant issues aims to be concise and understandable, tailored to the specific circumstances of the company.

## 4. Appendix

### 4.1. Audit Committee Minimum Requirements

#### 4.1.1 Financial Reporting and Internal Controls

- Review annual financial statements.
- Review quarterly financial published reports
- Assess management's selection of accounting policies and principles.
- Evaluate the external audit of the financial statements and the external auditor's report, including an assessment of whether external reporting is consistent with Board members' information and knowledge.

- Examine internal controls, including the Company's policies and procedures for assessing, monitoring, and managing financial risks (and other authorized business risks), as well as the Company's overall risk management framework and systems.
- Assess the adequacy of the external auditor's report for shareholder needs.
- Review and approve the External Audit plan, and collaboratively approve the Internal Audit plan in conjunction with the Board Risk Committee.

#### 4.1.2 Annual meeting with External Auditor

- Deliberate the Company's selection of accounting policies and methods, including any proposed alterations.
- Evaluate the sufficiency and efficacy of the Company's internal controls.
- Address notable discoveries and suggestions from the External Auditor, along with management's corresponding actions.
- Examine any challenges or disagreements faced with management throughout the audit, encompassing restrictions on or access to essential information.

#### 4.1.3 Annual Meeting with Internal Auditor

- Deliberate on the Company's adherence to policies and procedures, proposing any necessary changes to ensure regulatory accountability, auditability, and transparency.
- Evaluate the sufficiency and effectiveness of the Company's internal controls.
- Discuss noteworthy findings and recommendations presented by the internal auditor, along with management's responses.
- Address any challenges or disputes encountered with management throughout the audit, including constraints or limitations in accessing required information.
- Allow the Internal Auditor to seek support from independent external auditors, excluding the External Auditor.
- Direct the Internal Auditor to report to the Audit Committee.

#### 4.1.4 Internal Communication and Reporting

To support the Board in fulfilling its audit responsibilities, the Audit Committee is mandated to report to the Board at least annually on the following key aspects:

- Receive and assess the internal auditor's reports on an annual basis.
- Receive and evaluate the external auditor's reports biannually, or at least annually.
- Evaluate whether external reporting aligns with Board members' knowledge and meets shareholder needs adequately.
- Evaluate the management processes supporting external reporting.
- Oversee procedures for selecting and appointing the external auditor, as well as for rotating external audit engagement partners.
- Make recommendations to shareholders for the appointment or removal of the external auditor, if necessary.
- Assess the performance and independence of external auditors, disclosing any potential compromise of independence due to non-audit services.

- Present the results of the review of the risk management framework and internal control systems, addressing any significant exposure to specific risks.
- Appoint a new external auditor should such be requisitioned by shareholders under appropriate notice.

#### 4.1.5 Review of Audit Arrangements

- The Audit Committee will periodically review both the external and internal auditors' performance. The Audit Committee shall subsequent to receipt of each of the internal and external audit reports, also perform an appraisal of the auditor.
- The committee shall advise the Managing Director and the Chief Compliance Officer of any potential improvements, additional requirements, and/or any consideration to have the auditor removed or replaced.
- The Audit Committee shall assess the auditors based upon accuracy, conformance to requirements, understanding of the business, and value for money.

In addition, the Audit Committee shall:

- Verify that the composition of the Audit Committee aligns with the Audit Committee Charter.
- Periodically review and update the Audit Committee Charter and Action Points.
- Ensure compliance with all statutory reporting requirements that falls within the scope of the Audit Committee.
- Develop and supervise procedures for handling complaints or employee concerns related to accounting, internal controls, auditing matters, and breaches of the Company's Code of Conduct.