

Audit Committee

Terms of Reference

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Idox. Do more.

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1. Audit Committee: Terms of Reference

1.1 Constitution

- 1.1.1 The Audit Committee (Committee) was constituted as a committee of the board of directors (board) of Idox plc (Company) in accordance with the articles of association of the Company.
- 1.1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- 1.1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

1.2 Role

The role of the Committee is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring:

- 1.2.1 The integrity of the financial and narrative statements and other financial information provided to shareholders.
- 1.2.2 The Company's system of internal controls and risk management.
- 1.2.3 The external audit process and if and when appropriate internal auditors.
- 1.2.4 The processes for compliance with laws, regulations and ethical codes of practice.
- 1.2.5 How risk is reported internally and externally.

1.3 Duties and terms of reference

The Committee shall have oversight of the Company and its subsidiaries (**Group**) as a whole and (unless required otherwise by regulation) carry out the following duties for the Group as appropriate:

1.4 Financial reporting

The Committee shall:

- 1.4.1 monitor and discuss with management the integrity of the financial statements of the Group, including:
- 1.4.2 the annual and half-yearly reports; and
- 1.4.3 any other formal statements relating to its financial performance;
- 1.4.4 review and report to the board on significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the external auditor;
- 1.4.5 review and challenge where necessary:
- 1.4.6 the application and appropriateness of significant accounting policies including any significant changes. Where appropriate advise on communication of those changes to shareholders and market.
- 1.4.7 management's assessment of the impact of new accounting policies on the distributable reserves of the Company and its subsidiaries;
- 1.4.8 whether the Company has made appropriate estimates and judgements, taking into account the external auditor's views;
- 1.4.9 the clarity and completeness of financial reporting disclosures and any changes to those disclosures, including the review of any correspondence between the Company and the external auditor;
- 1.4.10 the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
- 1.4.11 significant adjustments resulting from the external audit; and
- 1.4.12 the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date

of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Group looking forward over an appropriate and justified period), including the robustness of stress-testing and scenario planning, and disclosures around such analysis. monitor compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements;

- 1.4.13 review all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as it relates to audit and risk management;
- 1.4.14 review first any other statements that contain financial information that require board approval, if carrying out a review before board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules; and
- 1.4.15 where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the board.

1.5 Narrative reporting

Where requested by the board, the Committee shall 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 and whether it informs the board's statement in the annual report on these matters that is required under Provision C.1.1 of the UK Corporate Governance Code.

1.6 Risk management systems and internal controls

The Committee shall:

- 1.6.1 **Risk assessment and management** on behalf of the board (which retains overall responsibility for risk management), review and monitor the Company's risk management and risk framework, at least annually, review their effectiveness;
- 1.6.2 **Internal controls:** Review the Company's internal financial controls and internal control systems and carry out a review of its effectiveness;
- 1.6.3 **On-going viability:** Where requested by the board provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary and taking into account relevant scenario planning and stress- testing;
- 1.6.4 **Management and internal and external audit reports:** review the assurance reports from management on the effectiveness of the internal controls and auditors and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the board to satisfy itself that they are operating effectively; and review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material audit recommendation;
- 1.6.5 **Disclosures**
 - 1.6.5.1 review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement, and ensure that relevant disclosures are given in the directors' report as to the Company's risk management and strategy in relation to financial instruments;
 - 1.6.5.2 consider any necessary disclosure implications of the process that has been applied by the board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts; and
 - 1.6.5.3 consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.

1.7 Internal audit

1.7.1 The Executive directors have reviewed the risk management and internal control environment and take responsibility for establishing and maintaining reliable systems of control in all areas of operation.

1.7.2 The key matters relating to the system of internal control are set out below:

- Idox has established an operational management structure with clearly defined responsibilities and regular performance reviews;
- on a monthly basis, financial results are monitored in detail against budgets, forecasts and other performance indicators with action dictated accordingly at each meeting;
- the Group operates a comprehensive system for reporting financial and non-financial information to the Board, including review of strategy plans and annual budgets;
- a structured approval process is maintained for sales order-to-cash and procurement purchase-to-pay processes based on assessment of risk and value delivered;
- the group-wide Customer Relationship Management (CRM) system is now fully operational, with processes and controls which are consistent with the agreed Delegation of Authority document. We continue to invest in and develop the CRM. Similar investments continue to be made in our Enterprise Resource Planning systems and internal resourcing to improve granularity and robustness of routine reporting;
- We have contracted for an enterprise wide Professional Services Automation (PSA) system which has been implemented. Similar to the CRM system which supports the Lead to Order process of the business, this system supports the Order to Cash process. Additional features of the PSA will be implemented over the next 12 to 18 months, increasingly transferring manual and spreadsheet based process into the PSA;
- risk registers are maintained in all areas of the business and periodically reviewed by the executive directors. Material risks and associated mitigating actions are routinely reported to the Board and enhancements to this reporting have been implemented; and
- sufficient, and increased, resource is focused to maintain and develop internal control procedures and information systems, especially in financial management. Further resources are being considered for the financial year to come.

1.7.3 The Executive directors have established a formal regime of reviews of the control environments as a permanent process across the business. This will ensure that all the key control areas, as agreed with the Committee, will be reviewed no less frequently than once every three years or more often if deemed necessary by the Executive directors or the Committee. An external consultancy firm was appointed in 2022 to support a rolling programme of internal controls health checks covering ten key focus areas over a three-year period. The initial focus areas are customer contract management, acquisition integration and revenue recognition. The Committee shall assess whether the processes applied by management to ensure that the internal controls systems are functioning as intended provide sufficient and objective assurance.

1.8 External audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements:

1.8.1 Appointment, reappointment and resignation

- 1.8.1.1 consider and make recommendations to the board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor;
- 1.8.1.2 ensure that at least once every ten years the audit services contract is put out to tender and, in respect of such tender, conduct such tender process and develop and oversee the selection process, ensuring

that all tendering firms have such access as is necessary to information and individuals during the tendering process;

1.8.1.3 if any external auditor resigns, investigate the issues leading to this and decide whether any action is required; and

1.8.1.4 evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee and consider the need to include the risk of the withdrawal of the external auditor from the market in that evaluation;

1.8.2 **Terms of engagement:** oversee the relationship with the external auditor and negotiate and agree their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and, in consultation with the executive directors, agree and approve their remuneration (including fees for both the audit and non-audit services) to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;

1.8.3 **Independence and expertise**

1.8.3.1 review and assess on an annual basis;

1.8.3.2 the external auditor's independence and objectivity taking into account the relevant UK law, the Ethical Standard and other professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards to mitigate those threats including the provision of any non-audit services; and

1.8.3.3 the qualifications, expertise and resources of the external auditor and, taking into account relevant UK professional and regulatory requirements, the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;

1.8.3.4 seek reassurance from the external auditor and their staff and satisfy itself that they have no relationships with the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

1.8.3.5 annually, seek information from the external audit firm about, and monitor, the external audit firm's policies and processes for maintaining independence and its compliance with the relevant UK law, regulation and other professional requirements and the Ethical Standard, including guidance on the rotation of the audit partner and staff;

1.8.3.6 agree with the board the Company's policy on employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements and monitor the application of this policy;

1.8.4 **Fees of external auditor:** Monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of the legal, professional and regulatory requirements, guidance.

1.8.5 **Non-audit services:** develop and recommend to the board, and implement, the Company's formal policy on the external auditor's provision of non-audit services, including the Committee's approval of non-audit services and the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The Committee should keep the policy for provision of non-audit services under review.

1.8.6 **Audit cycle**

1.8.6.1 review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

1.8.6.2 meet regularly with the external auditor and at least once a year, without the executive directors or management being present, to review and discuss the auditor's remit and the findings of the audit;

- 1.8.6.3 consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor;
- 1.8.6.4 review any representation letter(s) requested by the external auditor and the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations;
- 1.8.6.5 at the end of the audit cycle, assess the effectiveness of the audit process; and
- 1.8.6.6 be responsible for the co-ordination between the activities of the external auditor.

1.9 Whistleblowing

The Committee shall review the effectiveness, adequacy and security of the Company's arrangements for its workforce to raise concerns, in confidence and anonymously, 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.

- 1.9.1 **Fraud:** The Committee shall annually review the Company's procedures for detecting fraud.
- 1.9.2 **Compliance:** The Committee shall review the Company's systems and controls for ethical behaviour and the prevention of bribery and modern slavery and receive reports on non-compliance.

1.10 Membership & Quorum

- 1.10.1 The quorum necessary for the transaction of the Committee business shall comprise a minimum of two members. A duly convened Committee meeting 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.
- 1.10.2 Each Committee member shall be an independent non-executive director as determined by the board (in accordance with the principles of the UK Corporate Governance Code), at least one of whom shall have recent and relevant experience working with financial and accounting matters with competence in accounting and/or auditing. If any member of the Committee is deemed not to be independent, then the board shall provide an explanation as to why they consider it appropriate for such director to be a member of the Committee.
- 1.10.3 The board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee chair. The minimum number of members shall be two, with the maximum number of members set by the Board at its discretion.
- 1.10.4 The chair of the board shall not chair the Committee.
- 1.10.5 Appointments to the Committee shall be for a period of up to three years, extendable by no more than one additional three-year periods, so long as members continue to be independent. The Committee chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 1.10.6 The board shall appoint the chair of the Committee from among the independent non-executive directors. In the absence of the Committee chair and/or an appointed deputy, the remaining members present at a Committee meeting shall elect one of their number present to chair the meeting.
- 1.10.7 The company secretary, or his or her nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

1.11 Attendance at meetings

- 1.11.1 The Committee shall meet at least three times a year or as directed by the board at appropriate times in the Company's financial reporting and audit cycle.

- 1.11.2 Outside of the formal meeting programme, the Committee chair (and to a lesser extent, other Committee members) shall maintain a dialogue with key individuals involved in the Company's governance, including the board chair, the chief executive, the finance director and the external audit lead partner. Only Committee members have the right to attend and vote at Committee meetings. However, the CEO, CFO and external audit lead partner shall be invited to attend and address meetings of the Committee by invitation and with the agreement of the Committee chair. The Committee chair shall have the discretion to decide who, other than the Committee members, shall attend and address Committee meetings.
- 1.11.3 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 1.11.4 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

1.12 Notice of meetings

- 1.12.1 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 the finance director, external audit lead partner.
- 1.12.2 Unless the Committee otherwise agrees, 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 on a timely basis, and no less than 24 hours pre meeting – unless accepted by Chair.

1.13 Voting arrangements

- 1.13.1 Subject to 1.13.2 and 1.13.3, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting.
- 1.13.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 1.13.3 Except where he or she has a personal interest, the Committee chair shall have a casting vote.
- 1.13.4 The Committee chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

1.14 Minutes of meetings

- 1.14.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 1.14.2 Minutes of Committee meetings shall be agreed with the Committee chair and then be circulated promptly to all Committee members. Draft minutes should be included in the papers presented to the following Board meeting. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

1.15 Annual general meeting

All Committee members may attend the annual general meeting where possible and the Committee chair (or other appropriate member) shall be available to respond to any shareholder questions on the Committee's activities.

1.16 Reporting responsibilities

The Committee shall:

- 1.16.1 Report to the board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of all Committee meetings shall be included in the board papers for a subsequent board meeting.

- 1.16.2 Prepare a formal report on its activities and how the Committee has discharged its responsibilities to be included in the Company's annual report.
- 1.16.3 In compiling the report referred to in 1.16.2, exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the board's assessment of whether the Company is a going concern and the longer term viability statement.
- 1.16.4 Make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

1.17 General matters

The Committee shall:

- 1.17.1 Consider other duties determined by the board from time to time.
- 1.17.2 Give due consideration to all applicable laws and regulations, in particular the directors duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code, the QCA Corporate Governance Code, and the requirements of the London Stock Exchange's rules for AIM companies, as appropriate.
- 1.17.3 Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

1.18 Authority

The board authorises the Committee to:

- 1.18.1 Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary. The Committee shall secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense and commission, at the Company's expense, any reports or surveys which it deems necessary to help it fulfil its obligations and may seek any information it requires from any employee of the Group to perform its duties.
- 1.18.2 Collectively and individually have direct access to the CFO and the Company's external auditors.

Adopted at the board meeting of the Company on 20 December 2022