

MERIT GROUP PLC (“Company”)

[Formerly DODS GROUP PLC]

AUDIT COMMITTEE

TERMS OF REFERENCE

APPROVED BY THE BOARD ON 28th JULY 2020

1. Membership

1.1 The committee shall comprise of at least two non-executive Board members which can include the non-executive Chair. Members of the Committee shall be appointed by the Board in consultation with the Chair of the Audit Committee.

1.2 The Committee shall comprise of Non-Executive Directors and at least one of whom shall have recent and relevant financial and corporate experience.

1.3 Only members of the Committee have the right to attend committee meetings. However, other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary.

1.4 The external auditor will, where necessary, be invited to attend meetings of the Committee, including the meeting that considers the annual financial statements.

1.5 Appointments to the Committee shall be subject to the provisions of the Companies Acts and of the Company’s Articles of Association as set out in the Corporate Governance Code for Small and Mid-Size Quoted Companies (2013) produced by the Quoted Companies Alliance (the “QCA Code”).

1.6 The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director. 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.

2. Secretary

The Committee will appoint a Secretary to the Committee.

3. Quorum

The quorum necessary for the transaction of business shall be two members. 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.

4. Frequency of meetings

4.1 The Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required.

4.2 Outside of the formal meeting program, the Committee Chair will maintain a dialogue with key individuals involved in the Company’s governance, including the Board Chair.

5. Notice of meetings

5.1 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 external auditor.

5.2 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, any other person required to attend, 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.

6. Minutes of meetings

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

7. Annual General Meeting

The Committee Chair should attend the Annual General Meeting (“AGM”) to answer shareholder questions on the Committee’s activities.

8. Duties

8.1 The Committee should carry out the duties below as appropriate:

8.1.1 The Committee shall review and monitor the integrity of the budget and financial statements of the Company and the subsidiaries, and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;

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

8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and its subsidiaries;

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3 whether the Company and its subsidiaries have followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.2.4 the clarity of disclosure in the Company’s financial reports and the context in which statements are made; and

8.1.2.5 all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement;

8.1.3 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 position and performance;

8.1.4 The Committee shall review and monitor the Company’s and its subsidiaries’ internal financial controls and its internal control systems and, where applicable, its internal audit;

8.1.5 The Board will, if necessary, change the terms of reference if there is a significant and material change in the Company and its subsidiaries.

8.2 The Committee shall carry out the following actions for the External Audit:

8.2.1 Review whether the audit service contract should be put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender, if required, oversee the selection process and ensure that all tendering firms have such access as necessary to information and individuals during the duration of the tendering process;

8.2.2 If an auditor resigns, investigate the issues leading to this and decide whether any action is required;

8.2.3 Oversee the relationship with the external auditor including (but not limited to);

8.2.3.1 recommendations on their remuneration, their fees for audit or non-audit services;

8.2.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.2.3.3 assess annually their independence statement;

8.2.3.4 monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements; and

8.2.3.5 assess annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.

8.2.4 Meet the external auditor at least once a year, without management being present to discuss the auditor's remit and any other relevant issues;

8.2.5 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and

8.2.6 Review the findings of the audit with the external auditor.

9. Reporting responsibilities

The Committee Chair shall report formally to the Board on its proceedings and shall produce a report on its activities to be included in the Company's annual report.

10. Other matters

The Committee shall have access to sufficient resources in order to carry out its duties.

11. Authority

The Committee is authorised:

11.1 To obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so and have the right to publish in the Company's annual report, details of any material issues that cannot be resolved between the Committee and the Board;

11.2 To 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 professional advice on any matter within its Terms of Reference as it considers necessary;

11.3 To invite/call for the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense; and

11.4 To collectively and individually have direct access to any employee, and the Company's external auditors.