

## Instructions for the board of directors' audit committee

### Objective

The board's audit committee is appointed by Kitron ASA's board of directors (the Board) and is a sub-committee of the Board. The audit committee will on behalf of the Board supervise the financial reporting process to ensure the integrity of the financial statements. The audit committee will also go through: the company's internal supervisory/control routines and risk management system, the external audit process including a recommendation in the choice of an external auditor, the company's routines regarding compliance with laws and regulations affecting the financial reporting and the company's code of conduct.

By carrying out its responsibilities the committee will preserve an effective work relationship with the Board, the management and external auditor. To carry out its responsibility effectively each committee member will have to develop and maintain their competence/qualifications, including an understanding of the responsibilities of the committee, the company's business practice, operation and risk exposure.

The functioning of the audit committee is to prepare matters for consideration by the Board, to support the Board in its supervisory responsibilities and to ensure that the requirements made of the company in connection with its listing on the stock exchange are complied with.

### Authority

The Board gives the audit committee the authority to:

- Carry out its tasks according to the articles given in this document.
- Obtain external advice and assistance as it deems necessary in order to carry out its tasks
- Ensure that the management of the company participates at meetings as required
- Have unlimited access to management personnel, employees and all relevant information
- Establish procedures for the receipt, retention and handling of complaints the company receives regarding accounting, internal accounting controls or auditing matters
- To make preparations for the election of external auditors, remuneration of and control with the external auditors work
- To propose all remuneration and terms and conditions for the auditors, including non-audit services from external auditor

### Organisation

#### Members

- The Board appoints the committee members and chairman. Only members of the Board are eligible to be selected to the committee
- The audit committee should consist of at least three members
- The committee has a quorum when the majority of the members are present
- The members shall be selected so that the audit committee as a whole has the necessary qualifications and experience to carry out its duties. All members should have a solid financial understanding. At least one of the members should have significant IFRS experience.
- The audit committee members are appointed for a two-year term

#### Meetings

- Only the committee members are entitled to participate at the meetings.
- The CFO will be the company's main representative in relation to the audit committee and will be available at the audit committee meetings. The CFO will in addition serve as the secretary of the committee.
- The committee members can invite other people to the meetings if it considers it necessary.
- External auditor should be invited to present relevant agenda points for the committee.
- The committee should meet quarterly as a minimum and the meetings should be coordinated with the company's reporting cycle and the Board meeting schedule.
- Extraordinary meetings can be held if necessary.

- The agenda and the meeting documents shall be sent the committee members in due time before each meeting.
- The committees' secretary shall send out the minutes of the meetings to the Board members and to the external auditor.
- The chairman of the committee or at least one of the other members must participate at the board meeting where the financial statements are approved.
- It should be held at least one meeting each year with the external auditor without the presence of corporate management.

### **Roles and responsibility. The audit committee will:**

#### Internal control

- Evaluate if the management has established an appropriate "control culture" by emphasising the importance of internal control and risk management.
- Understand the internal control structure that the management has implemented for approval of transactions and registering and processing of financial information.
- Understand the control structure that the management has implemented to ensure that the financial statements are based on underlying systems that the financial statements are in accordance with relevant laws and regulations and are being supervised by the management.
- An overall evaluation of the effectiveness of internal control and risk management, and to what extent recommendations from internal and external auditors are being implemented by the management.
- Evaluate the company's safety within the areas of IT and software and the disaster recovery plan that ensures the financial information in cases of system breakdowns or to secure against IT fraud or misuse.

#### Financial reporting

- Understand which areas that have the greatest financial risks and how they are handled.
- Examine the essential financial- and reporting questions, including new professional and legal statements, and understand the effect upon the financial statements.
- Control the interim reporting and go through the interim financial statements, the annual financial statements and drafts to declarations in advance of publication.
- Arrange meetings with the management and external auditor to go through the financial statements and the results of the auditing.
- Examine the other parts of the Boards' annual report before it is published and consider if the information is understandable and in line with the members' knowledge of the company and its operation.

#### Compliance with rules and regulations

- Evaluate the effectiveness of the control routines regarding compliance with rules and regulations are, and the results of the managements' investigation and follow-up (including disciplinary actions) of any irregularities or non-compliance.
- See to it that all aspects regulated by law regarding the operation of the company are taken into account in the preparation of the financial statements.
- Evaluate the results of any inspection or audit from a regulatory authority.

## **Co-operation with auditors**

#### External auditor

- Evaluate the professional qualifications of the auditors.
- Evaluate external auditors independence and conflicts of interest.
- Examine the auditing methodology and the scope of the external auditors work the current year regarding the company's' situation and changes in legal and other requirements.
- On a regular basis examine with the external auditor, all problems or difficulties that arise in the ordinary audit work, including any restrictions when it comes to scope of, or access to information.

- Ensure that the essential findings and recommendations from the auditor are being received and handled within reasonable time.
- Discuss the quality of the accounting principles used in the company with the external auditor.
- Ensure that it exists a feasible routine regarding pre-approval of non-audit services performed by the external auditor.
- Make an annual assessment of the quality of the external auditing and give recommendations to the Board regarding appointment/change of auditor.

#### Reporting responsibility

- Inform the Board on a regular basis about the work of the committee and propose relevant recommendations
- Ensure that the Board is informed about issues that may have a vital impact on the financial situation or on the operation of the company.

#### Work evaluation

- Evaluate the committee's own work on a regular basis, both when it comes to the specific members and the collective work.
- Evaluate the execution of the duties specified in the mandate/roles and responsibility and report the findings to the Board.

#### Examination of the committee's mandate/role and responsibility

- Evaluate the audit committee's mandate on an annual basis and discuss possible necessary changes with the Board.
- Ensure that the mandate is approved or revised by the Board.