

Rules on External auditor independence and selection

External audit

Content Owner

Internal Audit Function

The purpose of these Rules is to:

- Establish a process for assessing auditor independence
- Provide a framework for decision-making concerning which services the external auditor is or is not entitled to provide
- Establish a process for selecting and evaluating the external auditor
- Confirm the role and responsibilities of the Audit Committee in these processes

Scope and definitions

These Rules apply as follows: Astarta Holding PLC., including all its consolidated subsidiaries ("The Company" or the "Company"), will only use the appointed external auditor (or Statutory Auditor) to provide the Audit Services outlined and defined below (see table of contents section 5). Non-Cyprus based consolidated subsidiaries will only use the appointed external auditor's local affiliates to provide other services in cases where these services are required by local legislation and do not conflict with the auditor's independence.

“External auditor” in the context of these Rules, relates to either the audit firm or person(s) that are engaged as group or affiliated firm external auditors.

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1. Introduction

1.1 These Rules require the Company's statutory auditor, to be independent of the Company and not be involved in the decision-taking of the Company in accordance with:

- The Law providing for the Statutory Audits of Annual and Consolidated Financial Statements by Statutory Auditors and Audit Firms and Related Matters L.53(I) 2017 of the Republic of Cyprus (the 'Law') as amended.
- Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC as amended, and
- Directive 2006/43/EC of the European Parliament and of the Council of 17 May 2006 on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC, as amended.

2. Independence of the Statutory Auditor – section 58 of the Law

2.1 These Rules are based on the principle that an external auditor must be independent of the Company, and that its independence should not be affected by an existing or potential conflict of interest or business or other direct or indirect relationship involving the audit firm carrying out the statutory audit or the officials and /or employees of the audit firm carrying out the statutory audit.

2.2 The audit firm and any natural person in a position to directly or indirectly influence the outcome of the statutory audit, shall be independent of the audited entity during both the period covered by the financial statements to be audited and the period during which the statutory audit is carried out.

2.3 The statutory auditor and the audit firm shall not carry out a statutory audit if there is any threat of self-review, self-interest, advocacy, familiarity or intimidation created by financial, personal, business, employment or other relationship between –

- (a) the statutory auditor, the audit firm, its network and any natural person in a position to influence the outcome of the statutory audit, and
- (b) the Company,

as a result of which an objective, reasonable and informed third party, taking into account the safeguards applied – would conclude that the statutory auditor's or the audit firm's independence is compromised.

- 2.4 The audit firm, key audit partners, employees and any other natural person whose services are placed at the disposal or under the control of such audit firm and who is directly involved in statutory audit activities, and persons closely associated with them within the meaning of Article 3, paragraph, point 26 of Regulation (EU) No 596/2014, shall not hold or have a material and direct beneficial interest in, or engage in any transaction in any financial instrument issued, guaranteed, or otherwise supported by, the Company, within their area of statutory audit activities, other than interests owned indirectly through diversified collective investment schemes, including managed funds, such as pension funds and life insurance.
- 2.5 The audit firm shall document in the audit working papers all significant threats to its independence as well as the safeguards applied to mitigate those threats.
- 2.6 The persons or firms referred to in clause 2.4 above shall not participate in or otherwise influence the outcome of a statutory audit of any audited entity if they:
- (a) own financial instruments of the audited entity, other than interests owned indirectly through diversified collective investment schemes;
 - (b) own financial instruments of any entity related to an audited entity, the ownership of which may cause or may be generally perceived as causing a conflict of interest, other than interests owned indirectly through diversified collective investment schemes;
 - (c) have had an employment, or a business or other relationship with that audited entity within the period referred to in clause (2) that may cause or may be generally perceived as causing a conflict of interest.
- 2.7 Persons or firms referred to in clause 2.4 above shall not solicit or accept pecuniary and no-pecuniary gifts or favours from the audited entity or any entity related to an audited entity unless an objective, reasonable and informed third party would consider the value thereof as trivial or inconsequential.
- 2.8 If, during the period covered by the financial statements, an audited company is acquired by, merges with or acquires another entity, the statutory auditor or the audit firm shall identify and evaluate any current or recent interests or relationships, including any non-audit services provided to that entity, which, taking into account available safeguards, could compromise the auditor's and the audit firm's independence and ability to continue with the statutory audit after the effective date of the merger or acquisition.
- 2.9 As soon as possible and in any event within three months, the statutory auditor or the audit firm shall take all such steps as may be necessary to terminate any current interests

or relationships that would compromise its independence and shall, where possible, adopt safeguards to minimise any threat to its independence arising from prior and current interests and relationships.

3. Role of Audit Committee – section 78 of the Law

3.1 The role of the Audit Committee is to:

- (a) inform the administrative or supervisory body of the Company of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- (b) monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
- (c) monitor the effectiveness of the undertaking's internal quality control and risk management systems and, where applicable, its internal audit, regarding the financial reporting of the Company, without breaching its independence;
- (d) monitor the statutory audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26(6) of Regulation (EU) No 537/2014;
- (e) review and monitor the independence of the statutory auditors or the audit firms in accordance with the Law and Article 6 of Regulation (EU) No 537/2014, and in particular the appropriateness of the provision of non-audit services to Company in accordance with Article 5 of that Regulation;
- (f) be responsible for the procedure for the selection of statutory auditors or audit firms and recommend the statutory auditors or the audit firms to be appointed in accordance with Article 16 of Regulation (EU) No 537/2014 except when Article 16(8) of Regulation (EU) No 537/2014 is applied.

4. Appointment of an audit firm and renewal of its engagement

4.1 The Company shall appoint an audit firm for an initial engagement of at least one year. The initial engagement may be renewed for a period not exceeding a maximum duration of ten years. It is noted that a new audit firm was appointed for the audit services commencing in the Fiscal Year 2019.

By way of derogation to the above rule, the maximum duration referred to above may be extended to the maximum duration of:

- (a) 20 years, where a public tendering process for the statutory audit is conducted and takes effect upon the expiry of the maximum duration of ten years.
- (b) 24 years, where, after the expiry of the maximum duration of ten years, more than one audit firm is simultaneously engaged, provided that the statutory audit results in the presentation of the joint audit report in which case the audit firms shall agree on the the results of the statutory audit and submit a joint report and opinion. In the case of disagreement, each statutory auditor or audit firm shall submit his, her or its opinion in a separate paragraph of the audit report and shall state the reason for the disagreement

4.2 In relation to the procedure for the appointment of an audit firm as the statutory auditor, the following apply:

- The Audit Committee shall submit a recommendation to the Board of Directors of the Company for the appointment of statutory auditors or audit firms.
- Unless it concerns the renewal of an audit engagement, the recommendation shall be justified and contain at least two choices for the audit engagement and the audit committee shall express a duly justified preference for one of them.
- In its recommendation, the Audit Committee shall state that its recommendation is free from influence by a third party and that no clause of a contract entered into between a public-interest entity and a third party restricting the choice by the general meeting of shareholders or members of that entity, has been imposed upon it.
- Unless it concerns the renewal of an audit engagement, the recommendation of the Audit Committee referred to above shall be prepared following a selection procedure organised by the audited entity respecting the following criteria:
 - (a) the Company shall be free to invite any audit firms to submit proposals for the provision of the statutory audit service and that the organisation of the tender process does not in any way preclude the participation in the selection procedure of firms which received less than 15 % of the total audit fees from public-interest entities in the Member State concerned in the previous calendar year;
 - (b) the Company shall prepare tender documents for the attention of the invited

statutory auditors or audit firms. Those tender documents shall allow them to understand the business of the audited entity and the type of statutory audit that is to be carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the audited entity to evaluate the proposals made by statutory auditors or audit firms;

(c) the Company shall be free to determine the selection procedure and may conduct direct negotiations with interested tenderers in the course of the procedure;

(d) where, in accordance with EU or national law, the competent authorities require audit firms to comply with certain quality standards, those standards shall be included in the tender documents;

(e) the Company shall evaluate the proposals made by the audit firms in accordance with the selection criteria predefined in the tender documents. The Company shall prepare a report on the conclusions of the selection procedure, which shall be validated by the Audit Committee. The Company and the audit committee shall take into consideration any findings or conclusions of any inspection report on the applicant audit firm and published by any competent authority.

(f) the Company shall be able to demonstrate, upon request, to the competent authority that the selection procedure was conducted in a fair manner. The audit committee shall be responsible for the selection procedure.

Provided that, if the Company ever meets the criteria of ‘small and medium-sized enterprise’ or ‘company with reduced capitalisation’ as stated in points (f) and (t) of Article 2(1) of Directive 2003/71/EC, it shall not be required to apply the selection procedure referred above.

4.3 The Board of Directors shall submit a proposal to the general meeting of the shareholders of the Company for the appointment of an audit firm. The proposal shall include the recommendation and preference referred to in par. 4.2 above made by the Audit Committee. The general meeting of the shareholders shall decide on the appointment. The Board may propose to shareholders to allow the Board of Directors to finally appoint the external auditor from a group of reputable external auditors selected by the Board.

Persons that shall not be appointed as statutory auditors

4.4 None of the persons referred to below may be appointed statutory auditor:

- (a) officer, shareholder or employee of the Company;
- (b) person who has been an officer or employee of the Company during a period in relation to which the financial statements of that audited entity would have been audited by that person, had he or she been appointed auditor of the Company;
- (c) parent, spouse, brother, sister or child of an officer of the Company;
- (d) partner or employee of an officer or employee of the Company;
- (e) person who may not under this clause be appointed auditor of a subsidiary or parent undertaking of the Company or subsidiary of the parent undertaking of that entity;

4.5 Any contractual clause limiting the choice on the part of the general meeting of shareholders or members of the audited entity to certain categories or lists of statutory auditors or audit firms as regards the appointment of or the limitation of choice for a particular statutory auditor or audit firm to carry out the statutory audit of that entity shall be prohibited. Any such existing clauses shall be null and void.

4.6 The Audit Committee together with the Board of Directors will conduct a full assessment of the external auditor's services (see section 8 below) every four fiscal years, with interim annual assessments.

4.7 For the selection of a new external auditor, the Audit Committee shall advise the Board of Directors. The Board of Directors shall then select and propose a new audit firm as the statutory auditor of the Company. This selected statutory auditor will be recommended to the Annual General Meeting of shareholders, which will decide on the appointment. The Board may propose to shareholders to allow the Board of Directors to finally appoint the external auditor from a group of reputable external auditors selected by the Board.

5. Services provided by external auditor

5.1 The external auditor can only provide the Company with the Audit Services listed and defined below. "Audit Services" are defined as:

- Statutory audit of the Company and the Company's consolidated financial statements

- Audit or review of (interim) financial statements (including carve-out and special purpose financial statements)
- Providing assurance with regard to other aspects of annual reporting, such as corporate governance, risk management and corporate social responsibility
- Providing assurance and reporting on research results for fact justifications for regulatory bodies and /or tax authorities
- Any other statutory task related to audit which is imposed by law on the external auditor or the audit firm (e.g. grant statements)
- Provision of assurance and report of factual findings requested by third parties (e.g. comfort letters)

and, only if and when requested by the Board of Directors, and as part of the auditor's regular activities:

- Providing assurance and report of factual findings (e.g. in the fields of internal control, mergers and acquisitions, tax position and structures, and fraud).

5.2 In addition to these Audit Services, the external auditors' foreign local affiliates are able to provide audit and tax compliance related services for non-Cyprus subsidiaries, provided these services comply with local laws and regulations mandated by the local statutory auditor.

5.3 The external auditor and/or its affiliates should never provide other services to the Company.

6. Audit Committee pre-approval of services

6.1 The Audit Committee should pre-approve the engagement of the Statutory auditor and/or its affiliates for all of the abovementioned services. The Internal Auditor can provide clarification whether requested services from the Statutory auditor and/or its affiliates fall under the above categories.

6.2 The Audit Committee will be informed on a quarterly basis of all services provided by the external auditor and/or its affiliates.

7. Rotation of audit partners

7.1 The Company requires its external auditor to provide an appropriate balance between going concern (effectiveness and efficiency, e.g. audit costs), risk management, independence and credibility. Rotation of the lead (signing) and concurring (reviewing) partner of the Company audit is considered after a period of four fiscal years from their date of appointment. Rotation is required after a maximum period of seven fiscal years

from their date of appointment. None of these partners may rotate to a different position within the Company audit team for a period of two years.

7.2 Other key audit partners -either at the Company group level or partners signing-off audit opinions of material Company entities- are supposed to rotate from their position after a period of six fiscal years, in line with a predefined rotation schedule.

8. Audit Committee's assessment of the external auditor's independence and effectiveness

8.1 Each year, the Audit Committee will formally review the external auditor's independence in line with these Rules and document its position on this matter.

8.2 Every four years, the Audit Committee will conduct a robust assessment of the auditor's independence and objectivity. This assessment includes the Audit Committee's consideration of the:

- Effectiveness of the external auditor, including whether and why continuing the selected external auditor is in the best interest of the Company and its shareholders
- Independence of the external auditor, including any breaches that have occurred since the prior review and how they have been mitigated
- Type and extent of tax compliance services being provided by the external auditor and why the audit committee concluded that it was appropriate to obtain these from the auditor
- Fees paid to the external auditor for audit and tax compliance services and whether they are appropriate
- Length of external auditor's continued tenure, the date of the last tender, and whether the external audit function should be put out for tender
- Audit Committee's involvement in the selection of the auditor's lead engagement partner and any other information about how they manage audit partner rotation

9. Responsibility of the external auditor

9.1 The statutory auditor will maintain a quality control system which provides assurance that its independence will not be impaired. The statutory auditor or the audit firm should not issue his, her or its audit report until such an engagement quality control review has been completed. The external auditor will report annually to the Audit Committee on all aspects concerning independence, including possible conflicts with this policy, if any. The external auditor will annually confirm its independence in writing.

9.2 The external auditor will ensure that its firm remains registered at the AFM. Any material changes in this registration will be reported immediately in writing to the Audit Committee.

10. Hiring arrangements – section 59 of the Law

10.1 The Company and the external auditor agree to a restricted hiring policy:

- The Company will not hire partners and professional employees of the external auditor involved in the Company audit within the last two years.
- The Company will not appoint partners and professional employees of the external auditor involved in the Company audit within the last two years as members of the Audit Committee of the Company.
- The Company will not appoint partners and professional employees of the external auditor involved in the Company audit within the last two years as non-executive members of the Board of Directors of the Company.

10.2 Moreover the Company shall not hire an audit firm to carry out a statutory audit if there is any indirect financial, business, employment or other relationship — including the provision of additional non-audit services — between the audit firm or network and the Company from which an objective, reasonable and informed third party would conclude that the audit firm's independence is compromised.

11. Maintenance of these Rules

11.1 The Audit Committee will update these rules if the situation so requires. Any independence issues or conflicts of interests will be communicated immediately to the CySEC, relevant securities authorities and any other regulatory body as may be legally required.

12. Communication

12.1 The Company will communicate its Rules on Auditor Independence and Selection to its stakeholders.