



ALPHA FINANCIAL MARKETS CONSULTING PLC

TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

In this document, the "**Company**" shall mean Alpha Financial Markets Consulting plc; the "**Board**" shall mean the board of directors of the Company; the "**Board Chairman**" shall mean the chairman of the Board; the "**Committee**" shall mean the committee of the Board to be known as the Audit and Risk Committee; the "**Committee Chair**" shall mean the chair of the Committee; and the "**Group**" shall mean the Company and its subsidiaries and subsidiary undertakings (in each case as defined in the Companies Act 2006). References to the "**QCA Code**" are to the Quoted Companies Alliance Corporate Governance Code.

1 CONSTITUTION

The Board has resolved to establish the Committee.

2 PURPOSE OF COMMITTEE

The purpose of the Committee is to oversee the Group's internal financial controls and risk management systems; to recommend the half and full year financial results to the Board; and to monitor the integrity of all formal reports and announcements relating to the Company's financial performance.

In addition, the Committee shall:

- (a) appoint the internal auditors and maintain an appropriate relationship with them and the external auditors of the Group; and
- (b) report the findings and recommendations of the internal and external auditors to the Board.

3 MEMBERSHIP

- 3.1 The Committee shall comprise a minimum of two members. Members shall be appointed by the Board, on the recommendation of the nomination committee of the Board in consultation with the Committee Chair.
- 3.2 If only two members are appointed, both shall be independent non-executive directors of the Company. At least one of the members shall have a professional accounting qualification from a recognised professional accounting body in any jurisdiction and recent and relevant financial experience. The Board Chairman may serve on the Committee as an additional member (but not chair) if he or she was considered independent on appointment as chairman.
- 3.3 The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair, the members attending shall elect another member (other than the Board Chairman) to chair the meeting.
- 3.4 If any member of the Committee is unable to act for any reason, the Committee Chair may

appoint any other independent non-executive director of the Company to act as his or her alternate.

- 3.5 Unless determined otherwise by the Board, appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director continues to meet the criteria for membership.

4 SECRETARY

The Company's secretary or his or her nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

5 ATTENDANCE AT MEETINGS

- 5.1 A quorum shall be two members, one of whom shall have recent and relevant financial experience. No meeting may be convened unless all members have received notice of the meeting. Unless it is impracticable, meetings should be arranged so that all members and the secretary can attend.
- 5.2 A duly convened 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.
- 5.3 Only members have the right to attend meetings. However, other individuals such as the Board Chairman, chief executive, chief financial officer, other directors and representatives from the finance function of the Group may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 5.4 The external auditor shall be invited to attend meetings of the Committee on a regular basis. At least once in each year, the Committee shall meet with the external auditor without the presence of any executive director or employee to discuss the auditor's remit and any issues arising from the audit.

6 MEETINGS BY TELEPHONE OR OTHER ELECTRONIC MEANS

- 6.1 A meeting of the Committee may consist of a conference between members some or all of whom are in different places, provided that each member may participate in the business of the meeting whether directly, by telephone or by any other electronic means which enables him or her:
- (a) to hear each of the other participating members addressing the meeting; and
 - (b) if he or she so wishes, to address all of the other participating members simultaneously.
- 6.2 A quorum is deemed to be present if at least the number of members required to form a quorum may participate in the manner specified in paragraph 6.1 in the business of the meeting.
- 6.3 A meeting held in the manner specified in paragraph 6.1 is deemed to take place at the place where the largest group of participating members is assembled or, if no such group is readily identifiable, at the place from where the chair of the meeting participates.

7 FREQUENCY AND NOTICE OF MEETINGS

- 7.1 The Committee shall meet at least three times a year at appropriate times in the financial

reporting and audit cycle and otherwise as required.

- 7.2 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the chief executive, the finance director, the external audit lead partner and the head of internal audit or independent internal audit firm representative.
- 7.3 Meetings shall be called by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or head of internal audit if they consider it necessary.
- 7.4 Unless otherwise agreed by all members, 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, any other person required to attend and all other directors of the Company, no later than five working days before the date of the meeting (or such shorter period of time the members may otherwise agree). Supporting papers shall be sent to members and to other attendees as appropriate, at the same time.

8 MINUTES OF MEETINGS

- 8.1 The secretary shall minute the proceedings and decisions of all meetings, including recording the names of those present and in attendance.
- 8.2 Draft minutes shall be circulated promptly to all members. Once approved, minutes shall be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee Chair.

9 ROLES AND RESPONSIBILITIES

The Committee shall carry out the duties detailed in this paragraph 9 for the Company and/or the Group, as appropriate.

9.1 Financial Reporting

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, trading statements and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to the matters communicated to it by the auditor, before submission to the Board.
- (b) The Committee shall review and challenge where necessary:
- (i) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (iv) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;

- (v) all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statements (insofar as it relates to the audit and risk management); and
 - (vi) the going concern assumption and viability statement and their periods of assessment.
- (b) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

9.2 Internal Controls and Risk Management Systems

The Committee shall annually:

- (a) review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems, including the appropriateness and effectiveness of the risk management framework;
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management;
- (c) review the overall process of assessing business risks and managing the impact on the Group; and
- (d) review the overall approach to setting risk appetite, tolerance levels, risk exposure and any changes to the risk management framework.

9.3 Compliance, Whistleblowing and Fraud

The Committee shall annually:

- (a) review the Company's arrangements for its employees and contractors to raise concerns, in confidence, 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 is taken (including commissioning additional resource to investigate any instances of fraud if necessary);
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (d) review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (e) review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

9.4 Internal Audit

The Committee shall consider annually whether the Company's size and activities are such that an internal audit function should be established and, if so, determine its remit and make a recommendation to the Board and amend these terms of reference to

account for the internal audit function.

9.5 External Audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) agree the timing of putting the external audit services contract out to tender (taking account of best practice of putting the external audit services contract out to tender at least every ten years) 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 oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (c) oversee the relationship with the external auditor including (but not limited to):
 - (i) recommendations on their remuneration, whether fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income from the firm, office and partner and other related requirements;
 - (vii) assessing 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;
 - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
 - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.

- (d) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (e) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement having regard to the seniority, expertise and experience of the audit team;
- (f) review the findings of the audit with the external auditor. This shall include but is not limited to the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) any accounting and audit judgements;
 - (iii) levels of errors identified during the audit process; and
 - (iv) the effectiveness of the audit process.
- (g) review any representation letter(s) requested by the external auditor before they are signed by management;
- (h) review the management letter and management's response to the auditor's findings and recommendations; and
- (i) develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

10 REPORTING RESPONSIBILITIES

- 10.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - (a) the significant issues that it considered in relation to the financial statements (required under paragraph 9.1(a)) and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process (required under paragraph 9.S(c)(vii)) and its recommendation on the appointment or reappointment of the external auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted; if the external auditor provides non-audit services, an explanation of how the auditors objectivity and

independence are safeguarded; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and any other information requirements set out in the QCA Code.

- 10.4 In the compiling the reports referred to in 10.1 and 10.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

11 OTHER MATTERS

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties and responsibilities, including access to the Company's secretariat for assistance as required;
- 11.2 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- 11.3 give due consideration to laws and regulations, the provisions of the QCA Code and the requirements of the AIM Rules, Disclosure Guidance and Transparency Rules applicable to AIM companies and any other applicable rules and/or regulations, as appropriate;
- 11.4 be responsible for co-ordination of the internal and external auditors;
- 11.5 oversee any investigation of activities which are within its terms of reference;
- 11.6 work and liaise as necessary with all other committees of the Board; and
- 11.7 arrange for the annual review of its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers to the Board for approval.

12 AUTHORITY

The Committee is authorised:

- 12.1 to seek any information it requires from any employee or director of the Group in order to perform its duties and the Board shall direct all employees and directors to co-operate with any request made by the Committee; and
- 12.2 to obtain, at the Company's expense but within any budgetary restraints imposed by the Board, independent legal, accounting or other professional advice reasonably required on any matter within its terms of reference.

Approved and adopted by the Board on 3 February 2022.