

Alfa Financial Software Holdings PLC
Audit and Risk Committee
Terms of Reference

adopted by the Board on 15 May 2017
(amended and adopted by the Board on 9 December 2020)

1. Membership

- 1.1. The committee shall consist of not less than three members, all of whom shall be independent non-executive directors. At least one member shall have recent and relevant financial experience and the committee as a whole shall have competence relevant to the sector in which the company operates. The chairman of the board shall not be a member of the committee.
- 1.2. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chair of the audit and risk committee. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.
- 1.3. Only members of the committee have the right to attend committee meetings. However, the chief financial officer, head of internal audit (or if outsourced, a relevant person from the outsource partner) and external audit partner will normally be invited to attend meetings and other non-members may be invited to attend all or part of any meeting as and when appropriate.
- 1.4. The chair of the committee shall be appointed by the board. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1. The company secretary, or their 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.

3. Quorum

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

4. Frequency of Meetings

- 4.1. The committee shall meet at least four times a year and, where appropriate, should coincide with key dates in the company's financial reporting and audit cycle.
- 4.2. Outside of the formal meeting programme, the chair of the committee will maintain a dialogue with key individuals involved in the company's governance, including the board chairman, the chief executive officer, the chief financial officer, the external audit partner and head of internal audit (or if outsourced, a relevant person from the outsource partner) .

5. Notice of Meetings

- 5.1. Meetings of the committee shall be convened by the secretary of the committee at the request of the committee chair or any of its members, the external audit partner, or head of internal audit if they consider it necessary.
- 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 and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be circulated to committee members via a secure portal and to other attendees as appropriate, at the same time.

6. Minutes of Meetings

- 6.1. The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2. Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board, unless it would be inappropriate to do so.

7. Engagement with shareholders

- 7.1. The committee chairman should attend the annual general meeting to answer any shareholder questions on the committee's activities. In addition the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

8. Duties

The committee should have oversight of the group as a whole and unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1. Financial Reporting

- 8.1.1. The committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary announcements and any formal statements relating to its financial performance and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
- 8.1.2. In particular, the committee shall review and challenge where necessary:
 - 8.1.2.1 the application of significant accounting policies and any changes to them.
 - 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 has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements.
 - 8.1.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made.

8.1.2.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and risk management, internal control, the going concern basis of accounting and longer term viability.

8.1.2.6 The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.

8.1.3 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.

8.2. **Narrative Reporting**

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 performance, business model and strategy and whether it informs the board's statement in the annual report on these matters that is required under the Code.

8.3. **Internal controls and risk management systems**

The committee shall:

8.3.1 Keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial risk, and other internal control and risk management systems.

8.3.2 Review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

8.4. **Compliance, speaking-up and fraud**

The committee shall:

- 8.4.1 Review the adequacy and security of the company's arrangements for its employees, contractors and external parties 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.
- 8.4.2 Review the company's procedures for detecting fraud.
- 8.4.3 Review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

8.5. **Internal Audit**

The committee shall:

- 8.5.1 Monitor and review the effectiveness of the company's internal audit function and activities in the context of the company's overall risk management systems.
- 8.5.2 Approve the appointment or termination of appointment of the head of internal audit (or if outsourced the relevant person from the outsource provider).
- 8.5.3 Review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit plan ensuring it is appropriate for the current needs of the organisation. Ensure the internal audit plan is aligned to the key risks of the business, and receive regular reports on work carried out.
- 8.5.4 Ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors.
- 8.5.5 Ensure that internal auditor has direct access to the board chairman and to the committee chair, providing independence from the executive and accountability to the committee.

- 8.5.5.1 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment.
 - 8.5.5.2 meet with head of internal audit (or if outsourced, a relevant person from the outsource partner) without the presence of management to discuss the effectiveness of the function.
 - 8.5.5.3 receive a report on the results of the internal auditor's work on a periodic basis.
 - 8.5.5.4 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business.
 - 8.5.5.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- 8.5.6 Consider whether an independent, third party review of processes is appropriate.

8.6. **External Audit**

The Committee shall:

- 8.6.1. Develop and oversee the selection procedure for the appointment in accordance with the applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.
- 8.6.2. Consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the company's external auditor.
- 8.6.3. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 8.6.4. Oversee the relationship with the external auditor. In this context the committee shall:
 - 8.6.4.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted.

- 8.6.4.2 review and agree their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 8.6.5 Assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.
- 8.6.5 Satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.
- 8.6.7 Agree with the board a policy on the employment of former employees of the company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy.
- 8.6.8 Monitor the auditor's processes for maintaining independence, its compliance with relevant law, other professional requirements and the Ethical Standard, including guidance on the rotation of audit partner and staff.
- 8.6.9 Monitor the level of fees paid by the company to external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant, professional and regulatory requirements, guidance and the Ethical Standard.
- 8.6.10 Assess annually the qualifications, expertise and resources and independence of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.
- 8.6.11 Seek to ensure coordination of the external audit with the activities of the internal audit function.
- 8.6.12 Evaluate the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communication with the audit committee.
- 8.6.13 Develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the committee and specifying the

types of non-audit services to be preapproved, and assessment of whether non-audit services have a director or material effect on the audited financial statements. The policy should include consideration of the following matters:

8.6.13.1 threats to the independence and objectivity of the external auditor and any safeguards in place.

8.6.13.2 the nature of the non-audit services.

8.6.13.3 whether the external audit firm is the most suitable supplier of the non-audit service.

8.6.13.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee.

8.6.13.5 the criteria governing compensation.

8.6.14. Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage), and at least once a year without management being present, to discuss the auditor's remit and any issues arising from the audit;

8.6.15. Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team

8.6.16. Review the findings of the audit with the external auditor. This shall include but will not be limited to, the following:

8.6.16.1 discussion of any major issues which arose during the audit.

8.6.16.2 the auditor's explanation of how the risks to audit quality were addressed.

8.6.16.2 key accounting and audit judgements.

8.6.16.4 the auditor's view of their interactions with senior management and other members of the financial team.

8.6.16.5 levels of errors identified during the audit.

- 8.6.17 The effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgments by the auditor, and the auditor's response to questions from the committee.
- 8.6.18 Review any representation letter(s), management letter(s) and management's response to the auditor's findings and recommendations requested by the external auditor before they are signed by management.

9 Reporting Responsibilities

- 9.1 The committee chair shall formally report 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:
- 9.1.1 The significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed. Having regard to matters communicated to it by the auditors; the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; and where a company's audit has been reviewed by the FRC's Audit Quality Review team, the Committee should discuss the findings with their auditors and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions they and the auditors plan to take. This discussion should not include disclosure of the audit quality category.
- 9.1.2 Its assessment of the effectiveness of the external audit process the approach taken to the appointment or reappointment of the external auditor, length of tenure.
- 9.2 The committee shall compile a report on its activities to be included in the company's annual report. The report should describe the work of the audit and risk committee, including:
- 9.2.1 An explanation of how the committee has assessed the independence and effectiveness of the external audit process (required under paragraph 8.6.10), the approach taken to the appointment or reappointment of the external auditor, length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted and advance notice of any retendering plans.

- 9.3 If the external auditor provides non-audit services, the committee's policy for approval of non-audit services; how auditor objectivity and independence are safeguarded, if the external auditor provides non-audit services; the audit fees for the statutory audit of the company's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; and for each significant engagement, or category of engagements, explain what the services are and why the audit committee concluded that it was in the interests of the company to purchase them from the external auditor.
- 9.4 An explanation of how the committee has assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business. If there is no internal audit function, the reasons for the absence of such a function, how internal assurance is achieved and how this affects the work of external audit should be explained in the relevant section of the annual report.
- 9.5 Any other issues on which the board has requested the committee's opinion.
- 9.6 In compiling the reports referred to 9.2, 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 and the inputs to the board's viability statements. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-reference to that information.

10. Other Matters

The committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 10.2 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 10.3 Give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing,

Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.

- 10.4 Be responsible for oversight of the coordination of the internal and external auditors.
- 10.5 Oversee any investigation of activities which are within its terms of reference.
- 10.6 Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees;
- 10.7 Ensure that a periodic evaluation of the committee's performance is carried out; and
- 10.8 At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

11. Authority

The committee is authorised to:

- 11.1 Investigate any activity within its terms of reference;
- 11.2 Seek any information it requires from any employee of the company in order to perform its duties;
- 11.3 Call any employee to be questioned at a meeting of the committee as and when required;
- 11.4 Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so and such advisors may attend meetings as necessary;
- 11.5 Have the right to publish in the company's annual report details of any issues that cannot be resolved between the committee and the board. If the board has not accepted the committee's recommendation for the external auditor's appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the board has taken a different position.

Adopted by the Board on 9 December 2020