

S⁴ CAPITAL PLC

AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

Audit and Risk Committee (the "**Committee**") of S⁴ Capital plc (the "**Company**").

References to the "**Board**" shall mean the full Board of Directors of the Company.

1. MEMBERSHIP

- 1.1** The Committee shall comprise of a minimum of 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 Chair 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 Remuneration and Nomination committee in conjunction [together with] with the chair of the audit committee. The Board shall appoint the Committee Chair.
- 1.3** 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.

2. MEETINGS

- 2.1** The Committee shall meet formally at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 2.2** A meeting of the Committee may be called by any member of the Committee, the Secretary, the Group Chief Financial Officer, [the internal auditor] or at the request of the external audit partner if they consider it necessary.
- 2.3** 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 not fewer than 5 working days prior to the date of the meeting.
- 2.4** The quorum for the Committee meetings shall be two members, one of whom must have recent and relevant financial experience and competence in accounting and/or auditing.
- 2.5** In the absence of the Chair or an appointed deputy, the remaining members present shall nominate one of the member present to chair the meeting.

- 2.6** The Secretary shall keep appropriate records of all meetings of the Committee with appropriate minutes of the proceedings and resolutions.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. The Chair will provide an update to the Board of the work of the Committee. Minutes should be circulated to all other members of the Board upon their request unless in the opinion of the Committee it would be inappropriate to do so.

- 2.7** Outside of the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Company's governance.

- 2.8** The Chief Financial Officer, external auditors and internal auditors shall be invited to attend meetings, on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

3. ENGAGEMENT WITH SHAREHOLDERS

The Chair of the Committee shall attend the Company's Annual General Meeting prepared to respond to any shareholder questions on the Committee and its activities and responsibilities. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility, where appropriate.

4. DUTIES

Financial reporting

- 4.1** The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on any significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the auditor;

- 4.2** In particular, the Committee shall review and challenge where necessary:

- 4.2.1** consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company's group ("**Group**");
 - 4.2.2** the methods used to account for significant or unusual transactions where different approaches are possible;
 - 4.2.3** any significant adjustments resulting from the audit;
 - 4.2.4** the going concern assumption and longer term viability assessment;
 - 4.2.5** whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
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- 4.2.6** the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - 4.2.7** the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement, including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period;
 - 4.2.8** all material information presented with the financial statements, such as the business review, the corporate governance statements relating to the audit and to risk management and any separately presented Audit and Risk Committee report included in the financial statements; and
- 4.3** 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.

Narrative reporting

- 4.4** 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, 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.

Internal control and risk management systems

- 4.5** The Committee shall:
- 4.5.1** keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and ensuring corrective action is taken when necessary;
 - 4.5.2** 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;
 - 4.5.3** advise the Board, following discussions with the Chief Financial Officer and the General Counsel, on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the company is willing to take in order to achieve its long-term strategic objectives, taking account of the current and prospective macroeconomic and financial environment drawing on financial stability assessments from all relevant authoritative sources that may be relevant for the Company's risk policies;
 - 4.5.4** review and assess the company's risk appetite and associated stress testing;
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- 4.5.5** Ensure that a robust assessment of the principal and emerging risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks;
- 4.5.6** Provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;
- 4.5.7** in relation to risk assessment:
- (a) keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
 - (b) review regularly and approve the parameters used in these measures and the methodology adopted;
 - (c) set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance;
 - (d) evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects;
 - (e) review the Company's capability to identify and manage new and emerging risks; and
 - (f) before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available;
- 4.5.8** review reports on any material breaches of risk limits and the adequacy of proposed action;
- 4.5.9** consider the appropriateness of the Company's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the company;
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4.5.10 provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration; and

4.5.11 consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions.

Compliance, whistleblowing and fraud

4.6 The Committee shall:

4.6.1 The Committee shall review the adequacy and security of the Group'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;

4.6.2 review the Group's procedures for detecting fraud; and

4.6.3 review the Group's systems and controls for the prevention of bribery and the prevention of the criminal facilitation of tax evasion and receive reports on non-compliance.

External audit

4.7 The Committee shall:

4.7.1 advise, consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting of the Company, in relation to the appointment, re-appointment and removal of the Company's external auditor. If the Board does not accept the Committee's recommendation(s), the Committee shall prepare a statement for inclusion in the Company's annual report, and in any papers recommending appointment or re-appointment, explaining the recommendation and setting out the reasons why the Board has taken a different position;

4.7.2 ensure that at least once every ten years, or in accordance with relevant legislation or guidance in effect from time to time, the audit services contract is 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 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;

- 4.7.3** if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 4.7.4** develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services taking into account relevant regulations and ethical guidance regarding the provision of non-audit services by the external audit firm and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and reporting to the Board on any improvement or action required. The policy should include consideration of the following matters:
- (a) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (b) the nature of the non-audit services;
 - (c) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (e) the criteria governing compensation;
- 4.7.5** oversee the relationship with the external auditor including (but not limited to):
- (a) recommendations on their remuneration, including both 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;
 - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole (including relationships such as family, employment, investment, financial or business other than in the ordinary course of business), including the extent and provision of any non-audit services;
 - (d) assessing annually the effectiveness of the external audit process; and
 - (e) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of
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fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

4.7.6 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; and

4.7.7 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:

- (a) a discussion of any major issues which arose during the audit;
- (b) key accounting and audit judgements;
- (c) levels of errors identified during the audit;
- (d) consideration and advice to the Board on the treatment of unaccounted differences or mistreatment; and
- (e) the effectiveness of the audit process.

4.8 The Committee shall also:

4.8.1 review any representation letter(s) requested by the external auditor before they are signed by management; and

4.8.2 review the management letter and management's response to the external auditor's findings and recommendations.

5. Internal Audit

The Committee shall:

5.1 approve the appointment or termination of appointment of the head of internal audit;

5.2 review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the Company;

5.3 review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;

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;

- 5.5 ensure the internal auditor has direct access to the Board chair and to the Committee chair, providing independence from the executive and accountability to the Committee and meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
- 5.6 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment;
- 5.7 review and assess the annual internal audit work plan.

6. REPORTING RESPONSIBILITIES

- 6.1 The Committee shall make these terms of reference available on the Company's website.
- 6.2 The Chair shall report formally to the Board on all matters within the Committee's duties and responsibilities. This report shall include:
 - 6.2.1 the significant issues that the Committee considered in relation to the financial statements and how these were addressed;
 - 6.2.2 the Committee's assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - 6.2.3 any other issues on which the Board has requested the Committee's opinion.
- 6.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.4 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 and non-audit process; 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 the Committee by the external auditor.
- 6.5 In the compiling the reports referred to above, 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.

7. OTHER MATTERS

The Committee shall:

- 7.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required;
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- 7.1.2** 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;
- 7.1.3** give due consideration to laws and regulations;
- 7.1.4** oversee any investigation of activities which are within its terms of reference;
- 7.1.5** work and liaise as necessary with all other Board committees;
- 7.1.6** arrange for periodic reviews of its own performance and, 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 or desirable to the Board; and

The Chair shall have access to any Group employee or business operations in order to fulfil his/ her duties.

8. AUTHORITY

The Committee is authorised to:

- 8.1.1** seek any information it requires from any employee or business operations of the Group in order to perform its duties;
 - 8.1.2** obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
 - 8.1.3** call any employee to be questioned at a meeting of the Committee as and when required; and
 - 8.1.4** 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.
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