

## W.A.G PAYMENT SOLUTIONS PLC

(the Company)

### TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

(approved at a meeting of the board of directors of the Company held on 27th September 2021)

#### 1. MEMBERSHIP

- 1.1 The committee shall comprise at least three members, all of whom shall be independent non-executive directors. At least one member shall have recent and relevant financial experience and competence in accounting and/or auditing 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 nomination committee in consultation with the chair of the audit committee.
- 1.3 Only members of the committee have the right to attend and vote at committee meetings. However, the Chief Financial Officer, and representatives of the internal auditor and the external auditor may be invited to attend and address meetings of the committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The board shall appoint the committee chair who must be an independent non-executive director. In the absence of the committee chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.5 In deciding chairship and membership of the committee, the value of ensuring that committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account.
- 1.6 If any member of the committee is unable to act for any reason, subject to paragraph 1.1, the committee chair may appoint any other independent non-executive director of the Company to act as his or her alternate.
- 1.7 Decisions of the committee will be made by majority vote. In the event of an equality of votes, except where he or she has a personal interest, the committee chair shall have a casting vote.

#### 2. SECRETARY

The Company Secretary, or their nominee, shall act as the secretary of the committee and shall attend all of its meetings and will ensure that the committee (and invitees as appropriate) receive 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, including, whenever possible, at least one member with recent and relevant financial experience and competence in accounting and/or auditing. It should also be noted that meetings of the committee may be validly conducted when the members are physically present together or in the form of video or audio conference (or any such combination), provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting or are able to receive communications from each of the other committee members participating in such meeting. Individuals in attendance at committee meetings by invitation may participate in discussions but do not form part of the quorum.

3.2 A duly convened meeting of the committee 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.

3.3 All reasonable efforts shall be made to give notice of meetings of the Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend.

#### **4. FREQUENCY OF MEETINGS**

4.1 The committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Decisions may be taken by the committee without a meeting if all of the members of the committee provide their approval in writing.

4.2 Outside of the formal meeting programme, the committee chair, and to a lesser extent other committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the board chair, the Chief Executive Officer, the Chief Financial Officer and the external audit lead partner.

4.3 At least once a year, the committee shall meet with the Company's external auditors without any executive directors present.

#### **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, or at the request of external or internal auditors if they consider it necessary.

5.2 Save to the extent agreed otherwise by the committee, 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 and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members 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 committee meetings, including recording the names of those present and in attendance.

6.2 At the beginning of each meeting, each member of the committee shall declare the existence of any conflicts of interest and the secretary shall minute them accordingly.

6.3 Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

6.4 Final signed copies of the minutes of the meetings of the committee should be maintained for the Company's records, in hard and soft copy where possible.

#### **7. ENGAGEMENT WITH SHAREHOLDERS**

7.1 The committee chair should attend the annual general meeting to answer any shareholder questions on the committee's activities. If requested to do so by the chair of the board, the committee chair should make a statement to the annual general meeting on the activities and achievements of the committee over the year. The committee chair should be prepared to make a statement on the activities and achievements of the committee over the relevant period, which may include details of any engagement with shareholders on significant matters related to the committee's areas of responsibility.

- 7.2 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 major subsidiary undertakings and the group as a whole, as appropriate.

### 8.1 Financial reporting

- (a) The committee shall (provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the Disclosure Guidance and Transparency Rules) monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, any quarterly reports, preliminary announcements, prospectuses and any other 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 internal and/or external auditor.
- (b) In particular, the committee shall review and challenge where necessary:
- (i) the consistency and application of, significant accounting policies and any changes to them both on a year to year basis and across the Company and its subsidiaries (together, the **Group**);
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the Company has adopted appropriate accounting standards and policies and made appropriate estimates and judgements, taking into account the external auditor's views;
  - (iv) the clarity and completeness of disclosures in the financial statements and the context in which statements are made, including the review of any correspondence between the Company and its external auditor;
  - (v) all material information presented with the financial statements, including the strategic report and the corporate governance statements (insofar as such information relates to the audit, internal controls and risk management);
  - (vi) any significant adjustments or unadjusted audit differences resulting from the audit;
  - (vii) the basis on which the Company has been determined as a going concern and the basis for the Company's long term viability statement, and make the corresponding recommendations to the board;
  - (viii) compliance with accounting standards taking into account the view of the Company's external auditor; and
  - (ix) 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.

- (c) The committee shall review any other statements requiring board approval which contain financial information, significant financial returns to regulators and any other financial information contained in certain other documents, such as announcements of a price sensitive nature, 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 Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules Sourcebook or Disclosure Guidance and Transparency Rules Sourcebook.
- (d) 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.
- (e) Where the committee is satisfied with the proposed financial reporting by the Company, it should make representation to the board summarising how and why it reached that conclusion, before making a recommendation to the board for approval.

## **8.2 Narrative reporting**

- (a) Where requested by the board, the committee should review the content of the annual report and accounts, half-yearly reports, preliminary announcements, and other price-sensitive and regulatory disclosures and advise the board on whether, taken as a whole, it is fair, balanced and understandable and, if appropriate, make a recommendation to the board that the relevant report is fair, balanced and understandable.
- (b) The committee should also advise the board whether the annual report and accounts provide 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 UK Corporate Governance Code (the **Code**).

## **8.3 Risk appetite, tolerance and strategy**

The committee shall:

- (a) advise the board (which shall retain overall responsibility for risk management) 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;
- (b) seek assurance on the risks the Company identifies as those to which the business may be exposed;
- (c) advise the board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact; and
- (d) advise the board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Company, and taking independent external advice where appropriate and available.

## **8.4 Internal controls and risk management systems**

The committee shall:

- (a) assist the board in fulfilling its reporting responsibilities in the annual report by:

- (i) monitoring and reviewing the effectiveness of the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
  - (ii) reviewing the Company's procedures to manage or mitigate principal risks and to identify emerging risks, and to assist in the board's assessment of principal and emerging risks;
  - (iii) reviewing and assessing the Company's risk appetite and associated stress testing;
  - (iv) evaluating the Company's principal risks, to be taken into account by the board when assessing the Company's prospects; and
  - (v) reviewing and approving 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.
- (b) oversee and seek suitable assurance regarding:
- (i) the risk exposures of the Company, including risk to the Company's business model, and solvency and liquidity risks;
  - (ii) the adequacy and effectiveness of the Company's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems;
  - (iii) the ability of the Company's risk management and internal control systems to identify the risks facing the Company and enable a robust assessment of principal risks;
  - (iv) the Company's capability to identify and manage new and emerging risks;
  - (v) the effectiveness and relative costs and benefit of particular controls;
  - (vi) the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken when necessary;
  - (vii) the Company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise;
  - (viii) 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; and
  - (ix) the head of risk's right of direct access to the chairman of the board and to the committee.

## **8.5 Compliance, speaking-up and fraud**

The committee shall:

- (a) 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;

- (b) review the Company's procedures for detecting fraud and receive from the executive officers a report of all significant deficiencies and material weaknesses in the design or operation of internal controls and any fraud that involves management or employees who have a significant role in the Company's internal controls;
- (c) review regular reports from the Money Laundering Reporting Officer on the adequacy and effectiveness of the Company's anti-money laundering systems and controls;
- (d) review the Company's systems, controls and policies for the prevention of bribery, corruption, money laundering and modern slavery and receive reports on non-compliance; and
- (e) review regular compliance reports from the Group finance team and Group legal team and keep under review the adequacy and effectiveness of the Company's compliance function.

## **8.6 Internal audit**

The committee shall:

- (a) approve the appointment or termination of appointment of the head of internal audit or of the outsourced internal audit provider as appropriate;
- (b) review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually review and approve the internal audit scope ensuring it is appropriate for the current needs of the organisation;
- (c) 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. The committee shall pay particular attention to the areas in which the work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and overseeing these relationships to ensure they are coordinated and operating effectively to avoid duplication;
- (d) ensure that the internal auditor has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between the different functions and that the internal auditor evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal auditor is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (e) 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;
- (f) carry out an annual assessment of the effectiveness of the internal auditor and as part of this assessment:
  - (i) meet with the internal auditors without the presence of management to discuss the effectiveness of the function;
  - (ii) review and assess the annual internal audit work plan;
  - (iii) receive a report on the results of the internal auditor's work;
  - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and

- (v) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal auditor;
- (g) monitor and assess the role and effectiveness of the internal auditor in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor;
- (h) meet the internal auditors at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out;
- (i) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (j) consider whether an independent, third party review of internal audit effectiveness and processes is appropriate; and
- (k) where external auditors are being considered to undertake aspects of the internal audit function, to consider the effect this may have on the effectiveness of the Company's overall arrangements for internal control, the effect on the objectivity and independence of the external auditor and the internal auditor and investor perceptions in this regard. Investor perceptions are likely to be influenced by:
  - (i) the reporting in the annual report on the nature and extent of the work being performed by the external auditor; and
  - (ii) whether, in the absence of internal audit work, the audit committee is wholly reliant on the views of the external auditor about the effectiveness of its system of controls relating to core activities and significant locations.

## **8.7 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;
- (b) develop and oversee the selection procedure for the appointment of the external audit firm in accordance with the applicable Code and regulatory requirements, conducting the tender process and ensuring that all tendering firms have access to all necessary information and individuals during the tender process;
- (c) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditor. In this context the committee shall:
  - (i) 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; and
  - (ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of, and plans for, the audit including authority and organisational reporting lines and adequacy of staffing and compensation;

- (e) assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Financial Reporting Council's Revised Ethical Standard 2019 or as subsequently updated (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;
- (f) satisfy itself that there are no relationships between the auditor and the Company or the directors (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (g) reviewing a formal report, at least annually, from the external auditor regarding the auditor's independence, including a delineation of all relationships between the external auditor and the Company or the directors (such as family, employment, investment, financial or business) (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity, and recommending to the board actions to satisfy the board of the independence of the auditors;
- (h) 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;
- (i) monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- (j) monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (k) assess at least annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures, any material issues raised by the independent auditor's internal quality control review, peer review or any governmental or other professional inquiry performed within the past five years, and any remedial actions implemented by the firm, taking into consideration professional and regulatory requirements;
- (l) seek to ensure coordination of the external audit with the activities of the internal auditor;
- (m) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee and consider the need to include the risk of the withdrawal of the external auditors from the market in that evaluation;
- (n) develop and recommend to the board the Company's formal policy and guidelines 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 service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements taking into account applicable law, regulation and the Ethical Standards. The committee should regularly monitor the implementation of the policy, report to the board on any improvement or action required and ensure that the policy includes consideration of the following matters:
  - (i) threats to the independence and objectivity of the external auditor and any safeguards in place;

- (ii) the nature of the non-audit services;
  - (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
  - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - (v) the criteria governing compensation;
- (o) 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, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
  - (p) 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;
  - (q) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
    - (i) a discussion of any major issues which arose during the audit;
    - (ii) the auditor's explanation of how the risks to audit quality were addressed;
    - (iii) key accounting and audit judgements;
    - (iv) the auditor's view of their interactions with senior management; and
    - (v) levels of errors identified during the audit;
  - (r) review any representation letter(s) requested by the external auditor before it is (they are) signed by management;
  - (s) review the management letter and management's response to the auditor's findings and recommendations;
  - (t) review the effectiveness of the external audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee; and
  - (u) review with internal and external auditors any difficulties with audits and management's response.

## **9. REPORTING RESPONSIBILITIES**

9.1 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 8.1(a)) and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process (required under paragraph 8.7(t)), the approach taken to the appointment or reappointment of the external auditor, length

of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and

(c) any other issues on which the board has requested the committee's opinion.

9.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 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 committee, including:

(a) details of the membership of the committee, number of meetings held and attendance over the course of the year;

(b) the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the external auditor;

(c) an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;

(d) in the case of the board not accepting the committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the committee explaining its recommendation and the reasons why the board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment);

(e) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code;

(f) all other information requirements set out in the Code; and

(g) any other issues on which the board has requested the committee's opinion

9.4 In compiling the reports referred to in 9.1 and 9.3, 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 and the inputs to the board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

9.5 Where there is disagreement between the committee and the board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement. Where any such disagreement cannot be resolved, the committee shall have the right to report the issue to the shareholders as part of the report on its activities to shareholders.

## **10. OTHER MATTERS**

10.1 The committee shall:

(a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required.

- (b) 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.
- (c) Give due consideration to all relevant laws and regulations, the principles and provisions of the Code and published guidance, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules Sourcebook or Disclosure Guidance and Transparency Rules Sourcebook and any other applicable rules, as appropriate.
- (d) Be responsible for oversight of the coordination of the internal and external auditors.
- (e) Oversee any investigation of activities which are within its terms of reference.
- (f) Be responsible for the review of the quarterly forecasts.
- (g) Supervise the Company's policies in respect of (i) tax planning and compliance; (ii) treasury and cash management; and (iii) the financing of the Company.
- (h) 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.
- (i) Ensure that a periodic evaluation of the committee's performance is carried out.
- (j) At least annually, review or participate in a review of its own performance, the results of which shall be presented to the board.
- (k) At least annually, review its constitution and terms of reference to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

10.2 The committee shall have the authority to delegate to any subcommittees of the committee any responsibilities of the full committee and to officers of the Company such responsibilities of the full committee, in each case to the extent permitted by applicable laws, rules or regulations.

## **11. AUTHORITY**

The committee is authorised to:

- (a) Investigate any activity within its terms of reference.
- (b) Seek any information it requires from any employee of the Company in order to perform its duties.
- (c) Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so in accordance with the Company's Guidelines for Independent Professional Advice.
- (d) Call any employee to be questioned at a meeting of the committee as and when required.
- (e) 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.

Although the committee can seek the advice and assistance of the executive management, it must ensure that this role is clearly separated from the executive management's role within the business.

**12. VERSION HISTORY**

<b>Issue No</b>	<b>Version No</b>	<b>Issue Date</b>	<b>Summary of Changes</b>
1	1.0	_____	Initial Document
		2021	