

ARGENTEX GROUP PLC
TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

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ARGENTEX GROUP PLC

TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

1. Constitution

- 1.1 The Audit and Risk committee (**Committee**) was constituted as a committee of the board of directors (board) of Argentex Group Plc (**Company**) at a full meeting of the board held on 7 June 2019 in accordance with the articles of association of the Company.
- 1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the company secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

2. Role

The role of the Committee is to assist the board in fulfilling its oversight responsibilities by reviewing and monitoring:

- 2.1 The integrity of the financial statements and other financial information provided to shareholders.
- 2.2 The Company's system of internal controls and risk management.
- 2.3 The internal and external audit process and auditors.
- 2.4 The processes for compliance with laws, regulations and ethical codes of practice.
- 2.5 The Company's attitude to and appetite for risk and its future risk strategy.
- 2.6 How risk is reported internally and externally.

3. Duties and terms of reference

The Committee shall have oversight of the Company and its subsidiaries (**Group**) as a whole and (unless required otherwise by regulation) carry out the following duties for the Company as appropriate:

3.1 Financial reporting

The Committee shall:

- (a) monitor and discuss with management the integrity of the financial statements of the Company, including:
- (i) the annual and half-yearly reports; and
 - (ii) any other formal statements relating to its financial performance;
- (b) review and report to the board on significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the external auditor;

- (c) review and challenge where necessary:
 - (i) the application and appropriateness of significant accounting policies,
 - (ii) any changes to significant accounting policies both on a year on year basis and across the Company and the Group, including the application of new accounting policies in interim accounts, and the plan to communicate those changes to shareholders and the market;
 - (iii) management's assessment of the impact of new accounting policies on the distributable reserves of the Company;
 - (iv) whether the Company has made appropriate estimates and judgements, taking into account the external auditor's views;
 - (v) the clarity and completeness of financial reporting disclosures and any changes to those disclosures, including the review of any correspondence between the Company and the external auditor;
 - (vi) the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
 - (vii) significant adjustments resulting from the external audit;
 - (viii) 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 Group looking forward over an appropriate and justified period), including the robustness of stress-testing and scenario planning, and disclosures around such analysis; and
 - (ix) the legality of any proposed dividend and the company's ability to pay it and remain a going concern;
- (d) monitor compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements;
- (e) review all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as it relates to audit and risk management;
- (f) review first any other statements that contain financial information and require board approval, if carrying out a review before board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules; and
- (g) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the board.

3.2 Narrative reporting

Where requested by the board, the Committee shall 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.

3.3 Risk management systems and internal controls

The Committee shall:

- (a) **Risk assessment and management**

- (i) on behalf of the board (which retains overall responsibility for risk management), review and monitor the Company's risk management systems and overall risk framework and processes, and at least annually, review their effectiveness;
 - (ii) consider the appropriate risk appetite for the Company across all major activities, taking into account the overall strategy of the Company, its future plans and other internal information, as well as the external environment, including economic, political and industry information;
 - (iii) on an annual basis, ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks.
 - (iv) oversee the current and prospective risks faced by the Company and its strategy in relation to future risks;
 - (v) ensure that risk management is properly considered in board decisions;
 - (vi) review the methodology for reporting risk to the board, including both quantitative and qualitative measures;
 - (vii) approve triggers for reporting and escalation of significant emerging risks which may be critical to the Company and assess the Company's ability to manage new risks;
- (b) **Internal controls**
- review the Company's internal financial controls and internal control systems and, at least annually, carry out a review of their effectiveness;
- (c) **Management and internal and external audit reports**
- (i) review the reports from the internal auditor, the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are objective and sufficient to enable the board to satisfy itself that they are operating effectively; and
 - (ii) review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation;
- (d) **Disclosures**
- (i) review and approve the statements to be included in the annual report concerning internal controls, risk management, and ensure that relevant disclosures are given in the directors' report as to the Company's risk management and strategy in relation to financial instruments;
 - (ii) review the reporting of key risks in the annual report and accounts, ensuring it is consistent with the internal reporting of key risks.
 - (iii) consider any necessary disclosure implications of the process that has been applied by the board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts; and
 - (iv) consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.

3.4 Internal audit

The Committee shall:

- (a) approve the appointment and removal of the head of the internal audit function;
- (b) review and approve the role and mandate of the internal audit function and monitor the review of the effectiveness of its work;
- (c) review and approve the annual internal audit plan to ensure it is aligned to business's key risks and receive regular reports on work carried out;
- (d) ensure that the internal audit function has unrestricted scope, necessary resources and appropriate access to information to enable it to perform its function effectively and in accordance with appropriate professional standards for internal auditors. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions;
- (e) ensure the internal audit function has direct access to the board chair and to the Committee [chair]; and is accountable to the Committee;
- (f) review and assess the annual internal audit plan and be advised of the reasons for any change or delay in the plan and ensure co-ordination between the internal and external auditors;
- (g) receive a report on the results of the internal auditor's work on an annual basis;
- (h) determine whether it is satisfied that the quality, experience and expertise of internal audit are appropriate for the business;
- (i) review and monitor management's responsiveness to the internal auditors' findings and recommendations and management's actions to support the effective working of the internal audit function;
- (j) monitor and review the role and effectiveness of the Company's internal audit function in the context of the Company's overall risk management system[, irrespective of whether this is an in-house or outsourced function], and the work of compliance, finance and external auditor, ensuring that the internal audit plan is aligned to the business's key risks;
- (k) ensure that there is open communication between the different functions and that the internal audit function evaluates the effectiveness of risk, compliance and finance functions as part of its internal audit plan;
- (l) ensure that the Committee meets with the head of internal audit to discuss effectiveness of the internal audit function, without management present, at least [once] per year; and
- (m) consider whether an independent, third party review of internal audit effectiveness and processes is required.

3.5 External audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements and the Financial Reporting Standard's Revised Ethical Standard 2019 (Ethical Standard):

- (a) **Appointment, reappointment and resignation**
 - (i) consider and make recommendations to the board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor;
 - (ii) ensure that at least once every ten years 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, conduct such tender process and develop and oversee the selection process, ensuring that all

tendering firms have such access as is necessary to information and individuals during the tendering process;

- (iii) if any external auditor resigns, investigate the issues leading to this and decide whether any action is required; and
- (iv) evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee and consider the need to include the risk of the withdrawal of the external auditor from the market in that evaluation;

(b) **Terms of engagement**

oversee the relationship with the external auditor and negotiate and agree their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and, in consultation with the executive directors, agree and approve their remuneration (including fees for both the audit and non-audit services) to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;

(c) **Independence and expertise**

- (i) review and assess on an annual basis;
 - (A) the external auditor's independence and objectivity taking into account the relevant UK law, the Ethical Standard and other professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards to mitigate those threats including the provision of any non-audit services; and
 - (B) the qualifications, expertise and resources of the external auditor and, taking into account relevant UK professional and regulatory requirements, the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (ii) seek reassurance from the external auditor and their staff and satisfy itself that they have no relationships with the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (iii) annually, seek information from the external audit firm about, and monitor, the external audit firm's policies and processes for maintaining independence and its compliance with the relevant UK law, regulation and other professional requirements and the Ethical Standard, including guidance on the rotation of the audit partner and staff;
- (iv) agree with the board the Company's policy on employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements and monitor the application of this policy;

(d) **Fees of external auditor**

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 the legal, professional and regulatory requirements, guidance and the Ethical Standard;

(e) **Non-audit services**

- (i) develop and recommend to the board, and implement, the Company's formal policy on the external auditor's provision of non-audit services, including the Committee's approval of non-audit services and 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. The policy should include assessment of:

(A) threats to the external auditor's independence and objectivity and any safeguards in place to eliminate or reduce threats;

(B) the nature of the non-audit services;

(C) in light of the external audit firm's skills and experience, whether it is the most suitable supplier of the non-audit service;

(D) the fees for the non-audit services, both for individual services and in aggregate, relative to the audit fee, including special terms and conditions; and

(E) the criteria governing compensation of the individuals performing the audit;

(ii) ensure that the provision of the non-audit services does not impair the external auditor's independence or objectivity, satisfying itself that there are no relationships between the auditor and the Company outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the auditor's independence and objectivity, or the audit process; and

(iii) keep the policy for the provision of non-audit services under review;

(f) **Audit cycle**

(i) review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

(ii) 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 the executive directors or management being present, to review and discuss the auditor's remit and the findings of the audit including (but not limited to) any major resolved or unresolved issues that arose during the audit, the auditor's explanation of how risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of their interactions with senior management and levels of errors identified during the audit;

(iii) consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor;

(iv) review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;

(v) review, before its consideration by the board, the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations;

(vi) at the end of the audit cycle, assess the effectiveness of the audit process including:

(A) reviewing whether the auditor has met the agreed audit plan and whether the external auditor identified any risks to audit quality and, if so, how these were addressed;

(B) understanding reasons for changes to the audit plan;

(C) considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions;

(D) obtaining feedback from key people on the conduct of the audit; and

(E) reviewing and monitoring the content of the external auditor's management letter and reporting to the board on the effectiveness of the audit process;

(g) **Other matters**

- (i) be responsible for the co-ordination between the activities of the external auditor and the internal audit function.

3.6 Whistleblowing

The Committee shall review the effectiveness, adequacy and security of the Company's arrangements for its workforce to raise concerns, in confidence [and anonymously], 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.

3.7 Fraud

The Committee shall annually review the Company's procedures for detecting fraud.

3.8 Compliance

The Committee shall:

- (a) review the Company's systems and controls for ethical behaviour and the prevention of bribery and receive reports on non-compliance; and
- (b) review regular reports on the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (c) review regular reports from the compliance officer and keep under review the adequacy and effectiveness of the Company's compliance function.

4. Membership

4.1 The Committee shall comprise a minimum of two members and the Committee as a whole shall have competence relevant to the section in which the Company operates.

4.2 Each Committee member shall be an non-executive director as determined by the board, at least one of whom shall have recent and relevant experience working with financial and accounting matters.

4.3 The board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee chair.

4.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to satisfy any requirements for membership of the Committee.

4.5 The board shall appoint the chair of the Committee from among the independent non-executive directors. In the absence of the Committee chair and/or an appointed deputy, the remaining members present at a Committee meeting shall elect one of their number present to chair the meeting.

4.6 The Committee chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

4.7 The company secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

5. Attendance at meetings

5.1 The Committee shall meet at least three times a year at appropriate times in the Company's financial reporting and audit cycle.

5.2 Outside of the formal meeting programme, the Committee chair shall maintain a dialogue with key individuals involved in the Company's governance, including the board chair, the chief executive, the chief financial officer, the external audit lead partner and internal audit partner.

5.3 Only Committee members have the right to attend and vote at Committee meetings. However, the chief executive officer, chief financial officer, chief compliance and risk officer, internal auditors and external auditors shall be invited to attend meetings of the Committee on a regular basis. Other non-members may be invited to attend all or part of any meetings as and when appropriate and necessary and with the agreement of the Committee chair. The Committee chair shall have the discretion to decide who, other than the Committee members, shall attend and address Committee meetings.

5.4 The secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

5.5 Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

6. Notice of meetings

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the chief financial officer, external audit lead partner or internal auditors.

6.2 Unless the Committee otherwise agrees, 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 seven calendar 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, but Committee papers may be forwarded at shorter notice with the approval of the Committee chair.

6.3 The Committee may send notices, agenda and supporting papers in electronic form where the recipient has agreed to receive documents in such a way.

7. Quorum

7.1 The quorum necessary for the transaction of business at a Committee meeting shall be two members, present in person or by audio or video conference.

7.2 A duly convened Committee 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.

8. Voting arrangements

- 8.1 Subject to Paragraph 8.2 and Paragraph 8.3, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).
- 8.2 If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 8.3 Except where they have a personal interest, the Committee chair shall have a casting vote.
- 8.4 The Committee chair may ask any attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

9. Minutes of meetings

- 9.1 The secretary of the Committee shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 9.2 Draft minutes of Committee meetings shall be agreed with the Committee chair and then be circulated promptly to all Committee members, unless in the Committee chair's opinion it would be inappropriate to do so. Once approved, minutes shall be circulated to all other board members unless in Committee chair's opinion it would be inappropriate to do so.
- 9.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting.

10. Annual general meeting

The Committee Chair (or other appropriate member) shall attend the annual general meeting of the Company and shall be available to respond to any shareholder questions on the Committee's activities.

11. Reporting responsibilities

The Committee shall:

- 11.1 Report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 Prepare a formal report on its activities and how the Committee has discharged its responsibilities to be included in the Company's annual report, which shall include:
- (a) details of the membership of the Committee, number of meetings held and attendance over the course of the year;
 - (b) a summary of the role and work of the Committee; and
 - (c) an explanation of how the Committee has addressed the effectiveness of the external 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 it by the external auditor; and all other information requirements set out in the Quoted Companies Alliance (QCA) Corporate Governance Code for Small and Mid-size Quoted Companies (the "QCA Code").

- 11.3 In compiling the report referred to in Paragraph 11.2, exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but 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;
- 11.4 Make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.5 Make available to shareholders these terms of reference by placing them on the Company's website.

12. General matters

The Committee shall:

- 12.1 Consider other duties determined by the board from time to time.
- 12.2 Have access to significant resources to carry out its duties, including access to the company secretary for assistance, as required.
- 12.3 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.
- 12.4 Give due consideration to all applicable laws and regulations, in particular the directors duties contained in the Companies Act 2006, the provisions of the QCA Corporate Governance Code, the requirements of the London Stock Exchange's rules for AIM companies, the Financial Conduct Authority's Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.
- 12.5 Work and liaise as necessary with all other board committees, taking particular account of any delegation of the impact of risk management and internal controls to different committees and to ensure that the interaction with the committees and between the Committee and the board is reviewed regularly.
- 12.6 Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

13. Authority

The board authorises the Committee to:

- 13.1 Carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate independent legal or professional advice on any matter within its terms of reference as it considers necessary.
- 13.2 Seek any information it requires from any employee of the Group to perform its duties.
- 13.3 Secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense.
- 13.4 Call any employee of the Group to be questioned at a Committee meeting as and when required, and all such employees are directed to co-operate with any request made by the Committee.

- 13.5 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.
- 13.6 Commission, at the Company's expense, any reports or surveys which it deems necessary to help it fulfil its obligations.
- 13.7 Collectively and individually have direct access to the Company's internal auditors and external auditors.

Adopted on the board meeting of the Company on 5 September 2023