

MOSL Audit and Risk Committee: Terms of Reference

1. Membership

- 1.1 Members of the Committee are appointed by the Board. The Committee is made up of at least three members, two of whom are non-executive directors of the company. At least one member will have recent and relevant financial experience (ideally with a professional qualification from one of the professional accountancy bodies).
- 1.2 The Chair will be appointed by the Board.
- 1.3 The Chair of the Board may not be Chair of the Committee but may be a member of the Committee.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for a further three year period, provided the director still meets the criteria for membership.
- 1.5 The Audit and Risk Committee ("Committee") shall be provided with appropriate and timely training.

2. Meetings

- 2.1 Meetings shall normally be held at such times as the Committee deems appropriate taking into account the financial reporting and audit cycle and not less than three times a year. At least one meeting shall be held for the purpose of preparing and reviewing the Committee Chair's annual report to the Board.
- 2.2 Outside 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 Auditor and the Head of Compliance.
- 2.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with the agenda, are 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 are sent to Committee members and to other attendees as appropriate, at the same time.
- 2.4 Committee members will agree dates for the yearly meeting cycle at the beginning of each financial year. If Committee members cannot attend in person, dial in details or video conferencing facilities will be provided.
- 2.5 Only members of the Committee have the right to attend Committee meetings. However, the External Auditor, Market auditor, Chief Financial Officer and Chief Executive Officer shall be invited to attend meetings on a regular basis and other non-

members may be invited to attend all or part of any meeting as and when appropriate and necessary.

- 2.6 The quorum necessary to transact business is two Board members.
- 2.7 In the absence of the Committee Chair the remaining members present may elect one of their number to chair the meeting.
- 2.8 The Chair ensures that the minutes of the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance are taken.
- 2.9 Minutes of Committee meetings are circulated promptly to all Committee members and, once agreed, to all members of the Board, unless a conflict of interest exists.

3. Reporting

- 3.1 The Committee Chair will report back to the MOSL Board on its proceedings after each meeting.
- 3.2 The Committee makes whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 3.3 The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such a report should include:
 - a summary of the role of the Committee;
 - the names and qualifications of all members of the Committee during the period;
 - the number of Committee meetings and attendance by each member; and
 - the way the Committee has discharged its responsibilities, including how it has addressed any significant issues it has considered in relation to the financial statements and its assessment of the effectiveness of the external audit process.
- 3.4 The Committee Chair shall attend the MOSL AGM to answer questions, through the Chair of the MOSL Board, on the Committee's activities and its responsibilities.
- 3.5 The Committee will report back as standing items on the following:
 - Annual Financial statements
 - Market audit scope and findings
 - Internal audit scope of work and findings
 - Review of risk

The list is not exhaustive and will depend on business/board requirements for the year.

4. Responsibilities

The duties of the Committee are to:

Market Audit

- 4.1 consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Market Auditor
- 4.2 consider and make recommendations to the Board in relation to the Market Audit scope
- 4.3 consider as appropriate the views of members in relation to the Market Audit
- 4.4 review written audit reports submitted by the Market Auditor and report to the Board on the adequacy of remedial action being recommended therein;

Financial Reporting

- 4.5 monitor the integrity of the financial statements of the company, including its annual report, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters reported to it by the auditor;
- 4.6 review and challenge where necessary:
 - the consistency of, and any changes to, significant accounting policies on a year on year basis;
 - the methods used to account for significant or unusual transactions where different approaches are possible;
 - whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the External Auditor;
 - the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and
 - all material information presented within the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management;
- 4.7 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

- 4.8 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 to members to assess the company's performance, business model and strategy;

Internal controls and risk management systems

- 4.9 keep under review the adequacy and effectiveness of MOSL's internal financial controls and internal control and risk management systems;

- 4.10 with regards to cyber security and data security risks, the Committee remains responsible for the management of this risk, including setting the risk appetite and ensuring management takes measures to mitigate risk appropriately. However, the Board has delegated the technical aspects of these risks (including the reporting of cyber security incidents and data breach/near miss reporting¹) to the Digital and Data Committee, as per its Terms of Reference. The Committee shall coordinate with the Digital and Data Committee, as appropriate, and the Chairs of each shall meet, as required, but at least annually.
- 4.11 review and approve the statements to be included in the annual report concerning internal controls, governance and risk management;

Compliance, Whistleblowing and Fraud

- 4.12 review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- 4.13 review MOSL's procedures for detecting fraud;
- 4.14 review MOSL's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 4.15 review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of MOSL's compliance function;
- 4.16 review MOSL compliance with the Bribery Act and the Corporate Criminal Offences Rules.

Internal Audit

- 4.17 approve the appointment or termination of appointment of the internal audit function;
- 4.18 ensure the internal audit function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 4.19 ensure the internal auditor has direct access to the Chairs of the Board and Audit and Risk Committee, and is accountable to the Audit Committee;
- 4.20 review and assess the annual internal audit work plan;
- 4.21 review and monitor management's responsiveness to internal audit findings and recommendations;
- 4.22 request deep dives into specific areas as and when required
- 4.23 meet with internal audit at least once a year without the presence of management; and
- 4.24 review the effectiveness of MOSL's internal audit function in the context of the company's overall risk management system;

External Audit

- 4.25 consider and make recommendations to the Board, to be put to the members for approval at the AGM, in relation to the appointment, re-appointment and removal of the External Auditor;
- 4.26 oversee the relationship with the External Auditor including;
- recommendations on their remuneration, including both fees for audit and non-

¹ The Audit and Risk Committee shall be kept updated as to any material data breaches, or cyber security incidents as well general trends, however, the Digital and Data Committee will review the regular incident reporting.

- audit services;
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - assessing annually their independence and objectivity taking into account UK professional and regulatory requirements;
 - monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by MOSL compared to the overall fee income of the firm, office and partner and other related requirements;
 - seeking to ensure co-ordination with the activities of the internal audit function; and
 - assessing Independence of audit functions/external auditors annually; along with a policy statement regarding non-audit fees and how these also need to be approved by the Committee.
- 4.27 meet regularly with the External Auditor, including once at the planning stage of the audit and once 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;
- 4.28 review and approve the annual audit plan having regard to the seniority, expertise and experience of the audit team;
- 4.29 review the findings of the audit with the External Auditor, including:
- a discussion of any major issues which arose during the audit;
 - key accounting and audit judgements;
 - levels of errors identified during the audit; and
 - the effectiveness of the audit process;
- 4.30 review any representation letter requested by the External Auditor before they are signed by the CEO; an
- 4.31 review the management letter and management's response to the auditor's findings and recommendations.

Effectiveness

5. At least once every two years, the committee shall review its own effectiveness, constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.

Version: 11 November 2020

Approved by the Board on 11 November 2020