

Lords Group Trading Limited

Audit & Risk Committee Terms of Reference

Constitution

The Audit and Risk Committee (**Committee**) was constituted at a Committee of the board of directors of Lords Group Trading Plc (**Company**) (**Board**) at a meeting of the Board held on 14 July 2021 in accordance with the articles of association of the Company.

Role

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

- the integrity of the financial statements and other financial information of the Company and its subsidiaries (Group) provided to the Company's shareholders;
- the Group's system of internal controls and risk management;
- the internal and external audit process and auditor independence;
- the processes for compliance with laws, regulations and ethical codes of practice; and
- how risk is reported internally and externally.

1. MEMBERSHIP

- 1.1. The Committee shall comprise of at least two, and where possible, 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.
- 1.2. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee, and in consultation with the Committee chair. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.
- 1.3. The chair of the Board shall not be a Committee member unless exceptional circumstances apply such as when there is a vacancy among the non-executive directors but may be invited to attend its meetings.
- 1.4. Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer, the Group Financial Controller and representatives of the External Auditor will be invited to attend meetings of the Committee on a regular basis. Other management will be invited to attend, all or part of any meeting, as required by the Audit & Risk Committee.
- 1.5. The board shall, on recommendation of the Nomination Committee, appoint the Committee chair from among the independent non-executive directors. In the absence of the Committee chair and/or an appointed deputy at a Committee meeting, the remaining members present at a Committee meeting shall elect one of themselves to chair the meeting.

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

2. SECRETARY

- 2.1. The Company Secretary, or their nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. QUORUM

- 3.1. The quorum necessary for the transaction of business shall be any two members of the Committee (including, whenever possible, at least one member with recent and relevant financial experience), present in person or by audio or videoconference.

4. MEETINGS

- 4.1. The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2. Meetings of the Committee shall be called by the secretary of the Committee at the request of the Committee chair or any of its members, or at the request of the external audit lead partner if they consider it necessary.
- 4.3. Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the company's governance, including the chair of the Board, the Group Chief Executive, the Chief Financial Officer, the Chief Operating Officer and the external audit lead partner.
- 4.4. Only members of the Committee have the right to attend Committee meetings, but other directors, team members and external advisers may be invited to attend all or part of any meeting as and when appropriate.
- 4.5. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee 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, no later than five working days before the date of the meeting.
- 4.6. The secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 4.7. 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 main Board, unless in the Committee chair's opinion it would be inappropriate to do so.

- 4.8. 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.

5. VOTING ARRANGEMENTS

- 5.1. Subject to Paragraph 5.2, each Committee member shall have one vote which may be cast on matters considered at the meeting.
- 5.2. 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.
- 5.3. In the case of an equality of votes, the Chair shall have a casting vote.
- 5.4. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting.

6. ANNUAL GENERAL MEETING

- 6.1. The Committee chair (or another appropriate member) shall attend the Annual General Meeting and be available to respond to any shareholder questions on the Committee's activities.

7. DUTIES

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

7.1. Financial reporting

The Committee shall:

- (a) monitor the integrity of the financial statements of the Group, released to the market or circulated to the Company's shareholders including:
- (i) its annual, and half-yearly reports; and
 - (ii) any other formal statements relating to its financial performance;
- (b) monitor the preparation of the Company's accounts, annual report and other public financial reports;
- (c) ensure the Company has an adequate process for approving market announcements and making these available to board members for review and comment;
- (d) 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 external auditor;
- (e) consider and report to the Board its views on appropriate KPIs for inclusion in the Company's annual report;

- (f) In particular, the Committee shall review and challenge where necessary;
- (i) The application of significant accounting policies and any changes to them;
 - (ii) The methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) Whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - (iv) The clarity and completeness of disclosures in the financial statements and the context in which statements are made;
 - (v) All material information presented with the financial statements.
 - (vi) The Committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules;
 - (vii) 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.

7.2. Narrative reporting

Where requested by the board, the Committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

7.3. Internal controls and risk management systems

The Committee shall;

(a) Risk assessment, management and external audit reports

- (i) on behalf of the Board (which retains overall responsibility for risk management), keep under review assurance reports from management, and where relevant third-party experts on the adequacy, effectiveness and independence of the Company and group's internal financial controls, internal risk assessment processes and internal control, assurance and risk management systems;
- (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;
- (iii) consider whether third-party assurance may be appropriate or necessary in relation to obtaining appropriate assurance levels of any specific risk;
- (iv) satisfy itself as part of the risk review process above that the Company/group takes appropriate steps to identify, understand, manage and mitigate the potential risks to the business arising from its extended supply chain, reliance on strategic partners, material third-parties (including outsourced services) and climate-related risks;
- (v) 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;

- (vi) consider (in conjunction with the Remuneration Committee) how executive remuneration may shape the executive approach to risk;
 - (vii) on an annual basis, ensure that a robust assessment of the emerging and principal risks facing the Company including climate change risk 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 appropriate management and mitigation of those risks;
 - (viii) oversee the current and prospective risks faced by the Company and its strategy in relation to future risks;
 - (ix) ensure that risk management is properly considered in board decisions;
 - (x) review the methodology for reporting risk to the Board, including both quantitative and qualitative measures;
 - (xi) set 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;
 - (xii) review the risk management functions and report to the Board the Committee's view on whether they are appropriately resourced, with adequate information rights and sufficient independence to discharge their function;
 - (xiii) at the request of the Board, carry out a specific risk assessment of any major transactions, including but not limited to mergers and acquisitions, disposals, joint ventures, significant expenditure on property, plant and equipment and material multi-year service contracts and report to the Board accordingly. This should involve consideration of whether all due diligence and/or procurement processes have been carried out, including obtaining external advice, as well as an assessment of whether the transaction meets the Company's risk appetite criteria and the implications for future risk tolerance; and
 - (xiv) review all material adverse crystallisation of risks, including those involving breaches of the Company's procedures, carrying out root cause analysis and introducing lessons learned into the risk management system.
- (b) Disclosures**
- (i) review and approve the statements to be included in the annual report concerning internal controls and risk management, risk appetite and climate risk, 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) 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
 - (iii) 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.

7.4. Compliance, whistleblowing 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 a proportionate and independent investigation of such matters and appropriate follow-up action;
- b) annually review the company's procedures for detecting fraud;
- c) review the company's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- d) review regular reports from the [CFO] on the adequacy and effectiveness of the Company's anti-money laundering systems and controls.

7.5. External Audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements and the Financial Reporting Council's Ethical Standards in place at the relevant time;

a) Appointment, reappointment and resignation

- (i) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;
- (ii) ensure compliance with any applicable requirements for audit tendering and, in any event, ensure that at least once every ten years consideration is given to putting the audit services contract out to tender;
- (iii) oversee any tender for the audit services contract 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, 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;
- (iv) consider the need for and where necessary, recommend to the Board a formal audit tender policy and any amendments thereto;
- (v) develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- (vi) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required; and
- (vii) oversee the relationship with the external auditor. In this context the Committee shall; 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.

b) Terms of engagement

Oversee the relationship with the external auditor and negotiate and agree the auditor's terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and 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 formally assess on an annual basis the external auditor's independence and objectivity taking into account UK law, any 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;
- (ii) satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (iii) agree with the board a policy on the employment of former employees of the company's auditor, taking into account any Ethical Standard and legal requirements, and monitor the application of this policy; and
- (iv) monitor the auditor's processes for maintaining independence, its compliance with relevant laws, regulations, other professional requirements and any Ethical Standard, including the guidance on the rotation of audit partner and staff.

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 relevant legal, professional and regulatory requirements, guidance and any Ethical Standard.

e) Non-audit services

- (i) assess 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;
- (ii) seek to ensure coordination of the external audit with the activities of the internal audit function;
- (iii) 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;
- (iv) develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters;
- (v) threats to the independence and objectivity of the external auditor and any safeguards in place;
- (vi) the nature of the non-audit services;
- (vii) whether the external audit firm is the most suitable supplier of the non-audit service;
- (viii) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
- (ix) the criteria governing compensation.

f) Audit cycle

- (i) 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;
- (ii) 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;
- (iii) review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
 - (iv) a discussion of any major issues which arose during the audit;
 - (v) the auditor's explanation of how the risks to audit quality were addressed;
 - (vi) key accounting and audit judgements;
 - (vii) the auditor's view of their interactions with senior management;
 - (viii) levels of errors identified during the audit;
- (ix) review any representation letter(s) requested by the external auditor before it is signed by management;
- (x) review the management letter and management's response to the auditor's findings and recommendations; and
- (xi) review the effectiveness of the 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.

8. REPORTING

- 8.1. 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 and how these were addressed;
 - b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - c) any other issues on which the board has requested the Committee's opinion.
- 8.2. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3. The Committee shall compile a report on its activities to be included in the company's annual report (as required). The report should describe the work of the Audit & Risk Committee, including;
- a) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
 - b) 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;

- c) 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.

8.4. In compiling the reports referred to in 8.1 and 8.3, 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.

9. OTHER MATTERS

The Committee shall;

- 9.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.
- 9.2. 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.
- 9.3. Give due consideration to all relevant laws and regulations, in particular the directors' duties contained in the Companies Act 2006, the QCA Corporate Governance Code, the QCA Audit Committee Guide and the requirements of the London Stock Exchange's rules for AIM, as appropriate.
- 9.4. Oversee any investigation of activities which are within its terms of reference.
- 9.5. 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, where such Committees exist.
- 9.6. Ensure that a periodic evaluation of the Committee's performance is carried out.
- 9.7. At least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

10. AUTHORITY

The Committee is authorised to;

- 10.1. Seek any information it requires from any employee of the company in order to perform its duties.
- 10.2. Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so.
- 10.3. Call any employee to be questioned at a meeting of the Committee as and when required.
- 10.4. The Committee shall collectively and individually have direct access to the Company's external auditors.
- 10.5. Have the right to publish in the company's annual report, details of any issues that cannot be resolved between the Committee and the board. If the board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the board has taken a different position.

These terms of reference were last reviewed by the Board on 23 January 2025.