

Zegona Communications Plc (the "Company")

AUDIT AND RISK COMMITTEE (the "Committee")

TERMS OF REFERENCE

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

1. MEMBERSHIP

- 1.1. The Board has resolved to establish a committee of the Board to be known as the Audit and Risk Committee.
- 1.2. The Committee shall comprise of at least three members of which a majority must be independent non-executive Directors.
- 1.3. The Board shall appoint the Committee Chairman.
- 1.4. The Company Secretary or their nominee shall be the Secretary of the Committee ("Secretary").

2. MEETINGS

- 2.1. The Committee shall meet formally at least twice a year.
- 2.2. Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance.
- 2.3. A meeting of the Committee may be called by any member of the Committee, the Secretary or at the request of the external audit lead partner if they consider it necessary.
- 2.4. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the Committee not fewer than 5 working days prior to the date of the meeting.
- 2.5. The quorum for the Committee meetings shall be two.
- 2.6. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
- 2.7. The Committee shall meet with the external auditors, as deemed appropriate and at least once a year.
- 2.8. The Secretary shall keep appropriate records of all meetings of the Committee with appropriate minutes of the proceedings and resolutions.
- 2.9. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Committee it would be inappropriate to do so.
- 2.10. By invitation, others may attend the Committee meetings.

3. DUTIES

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The Committee should carry out the duties below:

3.1. Financial reporting

3.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on any significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the auditor in accordance with paragraph 4;

3.1.2. In particular, the Committee shall review and challenge where necessary:

- 3.1.2.1. consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company’s group (“Group”);
- 3.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;
- 3.1.2.3. any significant adjustments resulting from the audit;
- 3.1.2.4. the going concern assumption;
- 3.1.2.5. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 3.1.2.6. the clarity and completeness of disclosure in the Company’s financial reports and the context in which statements are made;
- 3.1.2.7. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management; and
- 3.1.2.8. the contents of the annual report and accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company’s performance, business model and strategy.

3.1.3. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board.

3.2. Internal controls and risk management systems

The Committee shall:

- 3.2.1. keep under review the adequacy and effectiveness of the Company’s internal financial controls and internal control and risk management systems; and
- 3.2.2. review and approve the statements to be included in the annual report concerning internal controls and risk management

3.3. Compliance, whistleblowing and fraud

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The Committee shall:

- 3.3.1. review the adequacy and security of the Group’s arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 3.3.2. review the Group’s procedures for detecting fraud; and
- 3.3.3. review the Group’s systems and controls for the prevention of bribery and receive reports on non-compliance.

3.4. External Audit

The Committee shall:

- 3.4.1. consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting of the Company, in relation to the appointment, re-appointment and removal of the Company’s external auditor;
- 3.4.2. 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 oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 3.4.3. if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 3.4.4. oversee the relationship with the external auditor including (but not limited to):
 - 3.4.4.1. recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 3.4.4.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 3.4.4.3. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole (including relationships such as family, employment, investment, financial or business other than in the ordinary course of business), including the provision of any non-audit services; and
 - 3.4.4.4. monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
- 3.4.5. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 3.4.6. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 3.4.6.1. a discussion of any major issues which arose during the audit;
 - 3.4.6.2. key accounting and audit judgements;

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- 3.4.6.3. levels of errors identified during the audit; and
- 3.4.6.4. the effectiveness of the audit process.

The Committee shall also:

- 3.4.7. review any representation letter(s) requested by the external auditor before they are signed by management; and
- 3.4.8. review the management letter and management’s response to the external auditor’s findings and recommendations.

4. REPORTING RESPONSIBILITIES

- 4.1. The Committee Chairman shall report formally to the Board on all matters within the Committee’s duties and responsibilities. This report shall include:
 - 4.1.1. the significant issues that the Committee considered in relation to the financial statements (required under paragraph 3.1.1) and how these were addressed;
 - 4.1.2. the Committee’s assessment of the effectiveness of the external audit process (required under paragraph 3.4.6.4) and its recommendation on the appointment or reappointment of the external auditor; and
 - 4.1.3. any other issues on which the Board has requested the Committee’s opinion.
- 4.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 4.3. The Committee shall compile a report on its activities to be included in the Company’s annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed, having regard to matters communicated to the Committee by the external auditor.
- 4.4. In the compiling the reports referred to in 4.1 and 4.3, 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

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5. OTHER MATTERS

The Committee shall:

- 5.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 5.2. 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;
- 5.3. give due consideration to laws and regulations;
- 5.4. oversee any investigation of activities which are within its terms of reference;
- 5.5. work and liaise as necessary with all other Board committees; and
- 5.6. arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary or desirable to the Board.

6. AUTHORITY

The Committee is authorised to:

- 6.1. seek any information it requires from any employee of the company in order to perform its duties;
- 6.2. obtain, at the Company’s expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 6.3. call any employee to be questioned at a meeting of the Committee as and when required; and
- 6.4. have the right to publish in the Company’s annual report details of any issues that cannot be resolved between the Committee and the Board.