

ASA International Group plc (the “Company”)

Audit and Risk Committee – Terms of Reference

as approved and adopted by the board of directors of the Company on 28 June 2018

In these Terms of Reference, references to:

“**Board**” means the board of directors of the Company;

“**Code**” means the UK Corporate Governance Code, as amended;

“**Committee**” means the Independent Directors’ Committee;

“**Committee Chairman**” shall mean the chairman of the Committee;

“**Committee Secretary**” shall mean the secretary of the Committee;

“**Controlling Shareholder**” has the meaning given to such term in the listing rules relating to admission to the official list of the Financial Conduct Authority made under section 73A(2) of the Financial Services and Markets Act 2000, as amended;¹

“**Group**” means the Company and its subsidiaries from time to time and “**Group Company**” means any one of them; and

“**Related Party**” has the meaning given to such term in the listing rules relating to admission to the official list of the Financial Conduct Authority made under section 73A(2) of the Financial Services and Markets Act 2000, as amended.²

1 Membership

- 1.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the Committee Chairman.
- 1.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. Where possible, the Committee should include one member of the remuneration committee.³ The Committee as a whole shall have competence relevant to the sector in which the Company operates. The chairman of the Board shall not be a member of the Committee but shall be invited to attend.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, the finance director, head of internal audit and external audit lead partner will be invited to attend meetings of the Committee 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.

¹ As at 28 June 2018, this is expected to include, among others, Catalyst Microfinance Investors, Catalyst Microfinance Investors Management Company and Catalyst Continuity.

² As at 28 June 2018, this is expected to include, among others, Catalyst Microfinance Investors and Catalyst Continuity and the directors of the Company.

³ ICSA Terms of Reference for the Audit Committee recommendation (para 1.1)

1.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, subject to the annual re-election of directors and provided the members continue to be independent.

1.5 The Board shall appoint the Committee Chairman. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2 Secretary

2.1 The Company Secretary or his or her nominee shall act as the Committee Secretary 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 two members of the Committee including at least one member with recent and relevant financial experience.

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.

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.

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

5 Notice of Meetings

5.1 Meetings of the Committee shall be convened by the Committee Secretary at the request of any of its members or at the request of the external audit lead partner or finance director or head of internal audit if they consider it necessary. Meetings may be held in person, over the telephone or via video conference.

5.2 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, any other person required or invited to attend and all other non-executive directors, 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.

5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

6 Minutes of Meetings

- 6.1** The Committee Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance. The Committee Secretary shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflicts of interest exist in relation to a particular member of the Committee on any particular issue, then such member of the Committee shall not participate or vote on the issue that gave rise to such a conflict of interest.
- 6.2** Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and to nominated recipients as soon as practicable after the meeting. Once approved, minutes should be circulated to all other members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chairman.

7 Annual General Meeting

The Committee Chairman should attend the annual general meeting of the Company (the “AGM”) to answer questions from shareholders on the Committee’s activities and responsibilities.

8 Duties

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

8.1 Financial Reporting

8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual, half-yearly and (for such time as the Company prepares them) quarterly reports, preliminary results announcements and any other formal announcement relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The Committee shall also (wherever practicable) review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

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

- (i) the consistency of, and any changes to, significant accounting policies and practices;
- (ii) the methods used to account for significant or unusual transactions where different approaches are possible and how they are disclosed;
- (iii) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (iv) the clarity and completeness of disclosure in the Company’s financial reports and the context in which statements are made;

- (v) 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;
- (vi) compliance with accounting standards and legal and regulatory requirements;
- (vii) the reporting of related party transactions;
- (viii) the basis on which the Group has been determined to be a going concern;
- (ix) any significant adjustments resulting from the audit;
- (x) any misstatements reported to the Committee by the external auditor that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted; and
- (xi) any taxation or litigation matters.

8.1.3 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.

8.2 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 position and 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 Code. The Committee shall also consider the basis and accuracy of the longer term viability statement.

8.3 Internal Controls and Risk Management Systems

The Committee shall:

- 8.3.1** keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems and the Company's and the Group's procedures for the identification, assessment, management and reporting of risks;
- 8.3.2** review any findings and recommendations of the external auditor, internal auditors and/or other parties in relation to internal controls, risk management and compliance and monitor progress in implementing any such findings and recommendations;
- 8.3.3** review and approve the statements to be included in the annual report concerning internal controls and risk management; and
- 8.3.4** review the report on the effectiveness of the Company's internal control and risk management systems required to be included in the Annual Report and any similar statement required to be included by the Company or its management in any document pursuant to applicable legislation, rules (including the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules), and best practice and report on that review to the Board.

8.4 Compliance, Whistleblowing and Fraud

The Committee shall:

- 8.4.1** 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. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.4.2** review, consider and approve any transactions and agreements between the Group and any related parties, including considering any requirements under Listing Rule 11;
- 8.4.3** review the Company's procedures for detecting fraud;
- 8.4.4** review the Company's systems and controls for the prevention of bribery, money laundering and receive reports on non-compliance;
- 8.4.5** keep under review the adequacy and effectiveness of the Company's compliance function; and
- 8.4.6** review the Group's significant insurance arrangements.

8.5 Internal Audit

The Committee shall:

- 8.5.1** in consultation with the Chief Financial Officer and/or the Chief Executive Officer of the Company, approve the appointment or termination of the head of the internal audit function and the terms of engagement of any external consultants for the purposes of internal audit;
- 8.5.2** review and approve the role and mandate of internal audit and annually approve the internal audit charter ensuring that it is appropriate for the current needs of the organisation;⁴
- 8.5.3** ensure the internal audit function has the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of the internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 8.5.4** ensure the internal auditor has direct access to the chairman of the Board and to the Committee Chairman, and is accountable to the Committee;
- 8.5.5** where appropriate, meet separately with any of the executive directors without any other executive director being present;
- 8.5.6** ensure there is appropriate coordination between the internal audit function and the external auditors;

⁴ Code provision C.3.6 and FRC Guidance, para 48.

- 8.5.7 review and assess the annual internal audit work plan and budget and be advised of any delay in implementing the internal audit plan;
- 8.5.8 receive a report on the results of the internal auditor's work on a periodic basis (not less than once a year) and ensure appropriate action is taken on issues raised in such reports;
- 8.5.9 review and monitor management's responsiveness to the internal auditor's findings and recommendations to ensure that appropriate actions are taken;
- 8.5.10 meet the head of internal audit at least once a year, without the presence of management to discuss their remit and any issues arising from the internal audits carried out; and
- 8.5.11 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and consider whether an independent, third party review of processes is appropriate.

8.6 External Audit

The Committee shall:

- 8.6.1 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;
- 8.6.2 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;
- 8.6.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.6.4 oversee the relationship with the external auditor including (but not limited to):
 - (i) recommendations on their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) discussing, before the audit starts, the nature and scope of the audit;
 - (iv) assessing annually their independence and objectivity taking into account relevant UK law, regulation, other ethical and professional requirements and the Ethical Standards for Auditors (including considering annual disclosure from the statutory auditor and any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services);

- (v) assessing annually all their relationships with the Company, including throughout the Group and the external auditor's network firms and satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (vi) agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
- (vii) monitoring the auditor's process for maintaining independence, compliance with relevant UK law, regulation, other ethical and professional requirements and the Ethical Standard for Auditors (including the guidance on rotation of audit partner and staff, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and assessing these in the context of relevant legal, professional and regulatory requirements and guidance and the Ethical Standards for Auditors;
- (viii) assessing annually the qualifications, expertise, resources and independence of the auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on its own internal quality procedures;
- (ix) seeking to ensure co-ordination with the activities of the internal audit function; and
- (x) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the Company's present auditor from the market in that evaluation especially in light of the auditor's communications with the Committee.

8.6.5 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including 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.⁵ The policy should include 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 of the non-audit services, both individually and in aggregate, relative to the audit fee; and

⁵ FRC Guidance, paras 71, 73 and 74

- (v) the criteria governing compensation;⁶
- 8.6.6** where the external auditor is being considered to undertake aspects of the internal audit function, 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 audit function 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 Committee is wholly reliant on the views of the external auditor about the effectiveness of its system or controls relating to core activities and significant locations;
- 8.6.7** 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 management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.6.8** 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
- 8.6.9** review the findings of the audit, including the audit opinion, 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;
 - (v) levels of errors identified during the audit; and
 - (vi) critical accounting policies
- 8.6.10** be responsible for ensuring the resolution of any disagreements between management and the external auditor regarding financial reporting;
- 8.6.11** review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.6.12** review the management letter and management's response to the auditor's findings and recommendations; and
- 8.6.13** 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.⁷

⁶ FRC Guidance, para 72

⁷ FRC Guidance, paras 78 and 79

9 Reporting Responsibilities

- 9.1** The Committee Chairman 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:
- 9.1.1** the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;
 - 9.1.2** its assessment of the effectiveness of the external audit process (required under paragraph 8.6.12) and its recommendation on the appointment or reappointment of the external auditor; and
 - 9.1.3** 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 and shall report to the Board its views if it is not satisfied with any aspect of the proposed financial reporting by the Company.
- 9.3** The Committee shall compile a report on its activities to be included in the Company's annual report. The report should include:
- 9.3.1** an explanation of how the Committee has addressed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;
 - 9.3.2** 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 auditor and all other information requirements set out in the Code; and
 - 9.3.3** if the external auditor provides non-audit service, an explanation of how auditor objectivity and independence are safeguarded.
- 9.4** In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgment 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.
- 9.5** The Committee shall assist the directors of the Board in discharging their duty:
- 9.5.1** to confirm in the annual report that they have carried out a robust assessment of the principal risks facing the Company, and explain how those risks are being managed or mitigated; and
 - 9.5.2** to state whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over a stated period of assessment, explaining why they consider that period to be appropriate.

10 Other Matters

The Committee shall:

- 10.1** have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2** 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;
- 10.3** give due consideration to relevant laws and regulations, including the EU market Abuse Regulation, the general duties of directors set out in the Companies Act 2006, the provisions of the Code and the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 10.4** be responsible for co-ordination of the internal and external auditors;
- 10.5** oversee any investigation of activities which are within its terms of reference;
- 10.6** work and liaise as necessary with all other Board committees, taking particular account of the impact of any risk management and internal controls delegated to different committees;
- 10.7** at least once a year, review its own performance and 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; and
- 10.8** make publicly available its terms of reference, explaining clearly the role of the Committee and the authority delegated to it by the Board.

11 Authority

The Committee is authorised to:

- 11.1** investigate any activity within its terms of reference;
- 11.2** seek any information it requires from any employee of the Company in order to perform its duties;
- 11.3** obtain, at the Company's expense, outside legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.4** call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.5** 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.