

3. COMPANY CONTROL SYSTEM

In accordance with the regulations of the board of directors, the internal control and risk management mechanisms relating to financial information are the responsibility of the audit, control and compliance committee, which is subsequently supervised by the board of directors. The board of directors of Making Science believes that the Group's control environment is adequate and suitable for the size of the Company.

3.1 Preparing budgets and business plans

The Company's management is responsible for preparing the annual budgets and the business plan of the Making Science Group, which are then gone over and approved by the Company's board of directors. The annual budgets are approved before the start of each year.

Subsequently, the board of directors carries out continuous monitoring of the level of compliance with the budgets set and analyses the Company's progress at least every three months, studying any deviations from the agreed budget and their possible causes and solutions.

3.2 Internal controls

Making Science has control procedures and activities in all key processes, in order to ensure the adequate recording, assessment, presentation and breakdown of all transactions, in particular those which could have a material effect on the Company's financial statements or on the prevention and detection of possible fraud.

The preparation of financial and operational information is shared between various operational departments. Various operational functions (accounting, invoicing, HR, etc.), in conjunction with some external services, prepare the basis for the financial information, which the finance department then draws together and consolidates.

The Group has a programme management department which, together with the finance department, has designed a system of approval processes, which, using an approval flow, governs operational processes (granting and withdrawing access permissions for IT systems, requesting annual leave, purchase requisitions, recording and controlling expenditure, etc.). These processes are available on the Group's intranet, which can be accessed by all employees and relevant parties by means of a secure connection.

The Company is updating the written procedures which describe the current control processes. These processes allows the Company's critical activities to receive the necessary approval and supervision.

Given the level of automation in the Group's flow processes and invoicing and collection systems, the control and security policies and procedures relating to the information systems supporting Making Science's key processes are particularly important. In that regard, a number of key systems for handling and generating information within the Company have been identified, in order to ensure their availability, integrity and security. The Group has an IT security area, which, within the systems directorate, watches over the security of all IT processes and, in particular, those identified as being important.

After it has been prepared, the Group has various mechanisms for checking and authorising financial information at different levels:

1. First level: finance directorate, directorate-general and management committee. **The main responsibility of this first level relates to the day-to-day operations affecting the Company's financial information and, consequently, developing and carrying out the control activities necessary to ensure the integrity of the financial information.**

2. Second level: external audit and the audit, control and compliance committee. **Before being approved by the board of directors, the half-yearly and annual financial statements, together with their accounts, are audited by the auditors and their suggestions discussed. Those financial statements and accounts are then submitted by the auditor to the audit, control and compliance committee, which checks them. During those checks, the committee's members also discuss the most important aspects of their checks and of the Company's control mechanisms with the auditor.**

3. Third level: board of directors. **The audit, control and compliance committee subsequently presents its conclusions to the Company's board of directors, which is responsible for drawing up the annual accounts and approving the mandatory interim financial statements. In addition, the board of directors carries out comprehensive monitoring of the business plan and the level of compliance with the budget for the year, as well as checking the most significant accounting estimates and judgements used in preparing the financial information.**

Among the Company's different processes, the most important financial processes are as follows:

Consolidation and reporting

Intangible assets

Financial assets and liabilities

Client invoicing and receivables reconciliation

Treasury

Provisioning/accounts payable

Human resources

Taxes

Accounting close

Client invoicing and payment collection are automated in the invoicing system and occur automatically for any resources used for clients, using the payment method specified for each client. The amounts collected are then checked by the invoicing department and reconciled and then checked again by the treasury area.

With regard to payments, the Group makes a weekly payment proposal, which is prepared by the finance area. Those proposals are then checked by the control area and subsequently approved and implemented by the directorate-general.

The Group also has monthly procedures governing the accounting close of its subsidiaries and the preparation of financial statements, as well as the format of financial information, to enable it to be consolidated correctly and consistent in all of the subsidiaries, and also monitoring of the level of compliance with the forecasts for the financial year.

In that regard, the Company has been carrying out an account close for all companies of the Group since January 2019. Currently, the Company's accounting processes make it possible to have an accounting close in the first 30-35 days of the following month. However, processes are being put in place to carry out monthly closes in the first 15-20 working days of each month, which will be in operation in the first quarter of 2020.

Before the annual accounts are drawn up and the half-yearly financial statements are approved, the finance director meets with the external auditors to analyse and evaluate the financial information, prior to submitting it to the board of directors and the audit, control and compliance committee.

3.3 Internal Rules of Conduct relating to Securities Markets

Mindful of the sensitivity of certain financial information and in compliance with the provisions of article 225 of the Consolidated Text of the Spanish Securities Market Act (*Texto Refundido de la Ley del Mercado de Valores*), approved by Royal Legislative Decree 4/2015, of 25 October, and Circular 6/2016 on the requirements and procedures applicable to the inclusion in, and exclusion from, the Spanish alternative investment market (Mercado Alternativo Bursátil) of shares issued by expanding companies, the Company's board of directors, at its session on 20 November 2019, approved the Internal Rules of Conduct relating to Securities Markets, in order to establish the criteria, guidelines and rules of conduct to be followed by the Company and its directors, executives, employees and representatives in matters related to the securities market.

In particular, directors, all members of the management committee and those members of the finance team having access to privileged information have been included as subject persons, and both they and the individuals associated with them are subject to certain restrictions when it comes to dealing in the Company's securities, as well as the obligation, in any event, to notify any transaction.

In order to ensure compliance with the Internal Rules of Conduct relating to Securities Markets, as well as the maintenance of lists of subject persons, associated persons and insiders and the proper handling of privileged and relevant information, Making Science has a regulatory compliance officer.

4. RISK ASSESSMENT

Risk management policies are made by the management team and are checked by the Company's directors. Making Science has assessed the most important risks which could affect its business, which are principally financial, operational and regulatory, and has classified them into different categories and sections, relating to their impact and source, in order to be able to identify areas of risk, quantify them and identify possible mitigation mechanisms to manage and minimise the Company's exposure. The most significant financial risks are detailed below:

Credit risk. Credit risk occurs as a result of possible losses caused by breaches of contractual obligations by the Company's counterparties, that is, due to the possibility of not recovering financial assets for the amount recognised and in the time frame agreed.

The Company maintains comprehensive control of its receivables in order to minimise this risk.

Market risk. Market risk occurs as a result of possible losses caused by variations in the fair value or future cash flows of financial instruments due to changes in market prices. Market risk includes interest rate risk, foreign exchange risk and other price risks.

Interest rate risk. Interest rate risk occurs as a result of possible losses caused by variations in the fair value or future cash flows of a financial instrument due to changes in market interest rates. The Company's exposure to the risk of changes in interest rates is mainly due to long-term loans and credits with variable interest rates.

Foreign exchange risk. Foreign exchange risk occurs as a result of possible losses caused by variations in the fair value or future cash flows of financial instruments due to fluctuations in exchange rates.

The currency in which the Making Science Group's financial reports are presented is the euro. There are currently few payments in foreign currency (basically in US dollars at present) and, therefore, fluctuations in exchange rates between the euro and other currencies leading to profits or losses as a result of the exchange rate are of very limited impact. As the Making Science Group becomes more international, foreign exchange risk may increase. In that regard, Making Science will assess its exposure to each foreign currency in order to decide whether it is necessary to take out exchange rate insurance.

Other price risks. There are no other significant price risks for the Company.

Liquidity risk. Liquidity risk occurs because of the possibility that the Company might not have liquid funds available, or cannot access them, in sufficient amounts and at the right cost, in order to meet its payment obligations at any given time. The Company has immediate liquidity in the form of cash and cash equivalents, as well as short-term lines of credit which ensure that liquidity risk is always covered.

5. COMMUNICATING FINANCIAL INFORMATION

For Making Science, financial information is a determining factor, both to be able to carry out its internal control and operational monitoring work and to offer shareholders, potential investors and other stakeholders appropriate and timely information.

The Company keeps its accounting ledgers following the standards set out in Spain's General Accounting Plan (*Plan General Contable*). Making Science's annual accounts are prepared on a 'going concern' basis and based on the accounting records, which include both the transactions and the assets and liabilities arising in the financial year. In addition, the annual accounts undergo a financial audit annually and a limited review every six months, carried out by a respected auditor, and are checked by the audit committee.

The Group has IT systems which make it possible to record the different transactions and which also provide homogeneous processing and the information necessary to prepare the consolidated financial statements. The process of consolidating and preparing the financial statements is carried out centrally by the finance department. Invoicing and receivables reconciliation processes are also carried out centrally, as well as those relating to supplier management and payments, improving the most critical processes and facilitating their control and supervision.

The financial information reported to the Spanish alternative investment market (Mercado Alternativo Bursátil: MAB) is prepared on the basis of the consolidated financial statements obtained using the Company's tools, as well as some complementary information reported by other departments or subsidiaries and which is necessary to prepare the annual and/or half-yearly report or the quarterly financial reports. Once prepared, specific checks are carried out in order to validate the integrity of the information.

Before they are communicated to the market, in addition to the internal controls already mentioned, the annual accounts or limited half-yearly review are checked and audited by the external auditor and by the audit, control and compliance committee, and also by the board of directors, which draws them up and approves them. In the case of quarterly financial information, or other information communicated to the market in the form of relevant facts, the information is checked and approved first by the finance department and then by the directorate-general, and then it is also reviewed by the Company's registered adviser, Renta 4 Corporate S.A..

This constant contact with members of the board of directors and also the registered adviser, enables the information published on the website, as well as corporate and financial presentations, statements made and other information issued to the market, to be consistent and comply with the standards required by the regulations of the MAB.

The Company has, among others, a manual of established internal procedures for the avoidance of information asymmetry in the market, which governs the process of publishing any financial information or relevant fact. That process is detailed below:

Identification by the Company (in line with the explanations received from the registered adviser and also with Circular 6/2018) or the registered adviser of an event which could constitute a relevant fact.

Sending of supporting documentation for that event to the registered adviser for analysis and evaluation.

Drafting of the relevant fact by the Company's management or the registered adviser.

Review by the chief executive and chairman of the board of directors (the only person to sign relevant facts in the Company) of the relevant fact agreed between the Company and the registered adviser.

Uploading by the Company of the relevant fact agreed between the above-mentioned parties to the MAB's website.

Approval of the relevant fact by the registered adviser before the start of the opening auction and after the closing auction.

Confirmation by the registered adviser of the publication of the relevant fact.

Uploading by the Company of the relevant fact to the Company's website.

The Company and its representatives are mindful of the implications of trading its securities on the MAB, especially as regards ensuring that there is no information asymmetry in the market (principally, in article 17 of Regulation (EU) No 596/2014, on market abuse, and in article 228 of the consolidated text of the Spanish Securities Market Act (*Ley del Mercado de Valores*), approved by Royal Legislative Decree 4/2015, of 23 October, and also in Circular 6/2018 of the MAB).

With regard to the recommendations made by the financial due diligence committee, the Company has put in place the mechanisms necessary to comply with them:

Strengthening the finance team with consolidated senior talent in the audit/accounting area.

Putting in place automated processes to speed up the accounting close.

New processes for inter-company reconciliation, to facilitate reconciliation.

Creating an independent treasury department exclusively dedicated to controlling cash flow (including overdue client balances) and the obligations arising from the Group's financing.

Putting in place document management at the level of every company of the Group (in place).

6. MONITORING AND SUPERVISION ACTIVITIES

The aim of an organisation's monitoring and supervision activities is to determine whether the different components of its internal control systems relating to financial information (SCIIF) are functioning correctly.

Making Science's board of directors constantly supervises the activities carried out, reviewing the results reported quarterly at the board's regular meetings.

In particular, with regard to SCIIF supervision activities, during the course of the year the audit committee will carry out the following activities:

Checking the Group's consolidated annual accounts and interim financial statements.

Analysing the external auditor's annual audit plan, as well as the main areas of interest or significant transactions under review for the financial year.

Approving the actions for the year and the annual audit plan.

Reviewing, with the external auditor, the auditor's views on the SCIIF and the weaknesses of the system, where applicable, perceived in carrying out the auditing and checking work.

Due to its size, at the present time the Company does not have a specific internal audit function, which would strengthen the checking, monitoring and supervision of the SCIIF and the information itself. When the time comes, the audit, control and compliance committee could suggest that such a function be created, to be approved by the board of directors. Such an internal function would depend directly on the board of directors, coordinated through the audit, control and compliance committee, to ensure that it acted with complete independence.