

## **Actual Experience plc (the "Company")**

### **Terms of Reference of the Audit Committee**

#### **1. Membership**

- 1.1 The Audit Committee (the "**Committee**") is a committee of the board of directors of the Company (the "**Board**") and, as such, is appointed by and reports to the Board.
- 1.2 The Committee shall comprise not less than two members. All members of the Committee shall be non-executive directors, at least one of whom shall have recent and relevant financial experience. A majority (or, if and for so long as the Committee has an even number of members, at least half) of the Committee shall be independent. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Committee.
- 1.3 The Board, based on the recommendation of the Nomination Committee, shall appoint the Chair of the Committee who shall be an independent non-executive director. In the absence of the Chair of the Committee and/or a deputy appointed by the Committee, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 Appointments to the Committee shall be for a period of up to 3 years, which may be extended for further periods of up to 3 years, provided the director still meets the criteria for membership of the Committee.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, the Chief Executive Officer, and the Chief Financial Officer (the "**CFO**"), may be invited to attend all or part of any meeting as and when appropriate and necessary. The Chair of the Committee may request the attendance of others at meetings including external advisors.
- 1.6 The external auditor will be invited to attend meetings of the Committee on a regular basis.

#### **2. Secretary**

The CFO or his or her nominee shall act as secretary of the Committee unless the Chair of the Committee appoints another individual to this position. The secretary of the Committee will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

#### **3. Quorum**

The quorum necessary for the transaction of business shall be two members. 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 two times a year at appropriate times in the reporting and audit cycle and otherwise as required. The external auditor may request a meeting if they consider that one is necessary.
- 4.2 Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the governance of the Company, including the Chair of the Board, the Chief Executive Office, the CFO, the external audit lead partner and the head of internal audit.

## 5. **Notice of Meetings**

- 5.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 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 provided to each member of the Committee, any other person required to attend and all other non-executive directors, no later than four business days before the date of the meeting or within such time period as shall be agreed from time to time with the Chair of the Committee. Supporting papers shall be provided to Committee members and to other attendees as appropriate, at the same time.

## 6. **Minutes of Meetings**

- 6.1 The secretary of the Committee, or his or her nominee, shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 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 it would be inappropriate to do so in the opinion of the Chair of the Committee.

## 7. **Annual General Meeting**

The Committee Chair shall attend the Annual General Meeting (the "**AGM**") to answer shareholder questions on the Committee's activities.

## 8. **Duties and responsibilities**

The Committee shall carry out the following duties and responsibilities for the Company as appropriate.

### 8.1 **Financial Reporting**

- (a) The Committee shall monitor the integrity of the reported financial information, including the financial statements of the Company, included in its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- (b) In particular, the Committee shall review and challenge where necessary:
- (i) the assumptions used in going concern assessments;
  - (ii) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
  - (iii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iv) whether the Company has followed appropriate accounting standards and that any estimates and judgements that are made are appropriate, taking into account the views of the external auditor;
  - (v) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and

- (vi) all related material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- (c) 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 performance, business model and strategy.

## 8.3 ***Internal Control and Risk Management Systems***

The Committee shall:

- (a) keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

## 8.4 ***Compliance, Whistle Blowing and Fraud***

The Committee shall:

- (a) 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;
- (b) review the Company's procedures for detecting fraud; and
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

## 8.5 ***Internal audit***

The Committee shall consider on an ongoing basis whether the Company requires an internal audit function. To the extent that an internal audit function is implemented following the adoption of these terms of reference, the Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function;
- (c) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;

- (e) review reports addressed to the Committee from the internal auditor;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (g) discuss the relationship between external and internal auditors and co-ordination of their work;
- (h) discuss any problems carrying out audits, major findings and adequacy of controls;
- (i) consider, from time to time, appointing a risk sub-committee to keep abreast of all changes made to the group's system of internal controls and to follow up on areas which require improvement;
- (j) enquire into illegal, questionable or unethical activities;
- (k) review any significant transactions outside the company's normal business; and
- (l) meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chair of the Board and to the Committee.

## 8.6 **External Audit**

The Committee shall:

- (a) 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. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with the external auditor including (but not limited to):
  - (i) recommending and approving their fee for audit or non-audit services, ensuring that such fee is appropriate to enable an effective and high-quality audit to be conducted;
  - (ii) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (iii) assessing annually their independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
  - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (v) monitoring compliance with the Company's policy on the employment of former employees of the Company's auditor (having agreed such a policy with the Board);

- (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the 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 other related requirements;
- (vii) assessing annually the expertise and resources of the auditor and the effectiveness of the audit process;
- (viii) where the Company has implemented an internal audit function, seeking to ensure co-ordination with the activities of that internal audit function;
- (ix) developing and implementing a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor independence and objectivity, taking into account any ethical guidance on this matter; and keeping this policy and any fees paid to the external auditor in respect of the supply of non-audit services under review;
- (x) meeting regularly with the external auditor, including at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (xi) reviewing and approving the annual external audit plan and ensuring that it is consistent with the scope of the audit engagement;
- (xii) reviewing the findings of the audit with the external auditor. This shall include but not be limited to the following:
  - (A) a discussion of any major issues which arose during the audit;
  - (B) any key accounting and audit judgements;
  - (C) levels of errors identified during the audit; and
  - (D) the effectiveness of the audit.

The Committee shall also:

- (xiii) review any audit representation letter(s) as requested by the external auditor before they are signed on behalf of the Board; and
- (xiv) review the external auditor's findings and recommendations and management's response thereto.

## 9. Reporting Responsibilities

- 9.1 The Committee Chair shall formally report to the Board on the proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall produce 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 it by the auditor; and all other information requirements set out in the Quoted Companies Alliance Corporate Governance Code (the "Code").

9.4 In compiling the reports referred to in paragraphs 9.1 and 9.3, 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.

## 10. **Other Matters**

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties;
- 10.2 give due consideration to laws and regulations, the provisions of the Code and the requirements of the AIM Rules for Companies and any other applicable rules as appropriate;
- 10.3 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 to the Board for approval;
- 10.4 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;
- 10.5 where the Company has implemented an internal audit function, be responsible for co-ordination of the internal and external auditors; and
- 10.6 oversee any investigation of activities which are within its terms of reference.

## 11. **Authority**

The Committee is authorised:

- 11.1 to seek any information it requires from any employee of the Company in order to perform its duties;
- 11.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter when it reasonably believes it is necessary to do so;
- 11.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.4 to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.