

MIND GYM PLC
Audit and Risk Committee
Terms of reference

1. CONSTITUTION AND PURPOSE

- 1.1 The audit and risk committee ("**Committee**") was constituted at a full meeting of the board of directors of Mind Gym plc (the "**Company**") held on 22 June 2018 in accordance with the constitutional documents of the Company.
- 1.2 The purposes of the Committee are:
- 1.2.1 to monitor the integrity of the financial statements of the Company including its annual and interim reports, preliminary results announcements and any other formal announcements relating to its financial performance and to review significant financial reporting judgements contained in any such statements or announcements;
 - 1.2.2 to review the Company's internal financial controls and, unless expressly addressed by the board of directors of the Company ("**Board**") the Company's internal control and risk management systems;
 - 1.2.3 to ensure the company's key risks are identified and monitored;
 - 1.2.4 to monitor and review the effectiveness of the Company's internal audit and risk function;
 - 1.2.5 to make recommendations to the Board (for it to put to the shareholders of the Company for their approval in general meeting) in relation to the appointment of the external auditors and to approve the remuneration and terms of engagement of the external auditors;
 - 1.2.6 to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
 - 1.2.7 to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors; and
 - 1.2.8 to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations as to steps to be taken.

2. MEMBERSHIP

- 2.1 At all times the Committee will consist of a minimum of two members appointed by the Board in consultation with the chair of the Committee.
- 2.2 All members will be non-executive directors, but the chair of the Board must not be a member of the Committee. At the very least, a majority of members of the Committee should be independent non-executive directors, as determined by the board ('independent' being in accordance with the principles of the UK Corporate Governance Code).

- 2.3 At least one member of the Committee must have recent and relevant specialist financial knowledge.
- 2.4 Members must be committed, trained, skilled and with sufficient understanding of the issues to be dealt with by the Committee.
- 2.5 Members of the committee shall be appointed by the board, on the recommendation of the remuneration and nomination committee in consultation with the chair of the audit committee.
- 2.6 The chair of the Committee, who must be an independent non-executive director, will be appointed by the Board. In the absence of the Committee chair and any appointed deputy, the remaining members will elect one of themselves to chair the meeting.
- 2.7 The secretary to the Committee will be the company secretary if such person is not a member of the Company's finance staff.
- 2.8 Members of the Committee shall be named in the annual report of the Company.

3. **PROCEDURE**

- 3.1 Meetings will be held at least twice a year at appropriate times in the reporting and audit cycle of the Company and otherwise as required.
- 3.2 Only members of the Committee will normally attend Committee meetings but other individuals such as the chair of the Board, chief executive, chief financial officer, other directors, the heads of risk, governance, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 3.3 Any member of the Committee may validly participate in a meeting of the Committee through the medium of telephone conference or electronic mail or similar form of communication equipment provided that all persons participating in the meeting are able to hear and speak to each other throughout such meeting or are able to receive communications from each of the other Committee members participating in the meeting.
- 3.4 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 3.5 The quorum of a meeting of the Committee is two. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.6 Each member of the Committee has one vote on all matters to be determined by the Committee. In the case of deadlock, the Chair of the Committee has a casting vote.
- 3.7 Meetings of the Committee will be summoned by the secretary of the Committee at the request of any of its members or at the request of the external or internal auditors if they consider it necessary.
- 3.8 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed will be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no

later than five working days before the date of the meeting. Supporting papers will be sent to Committee members and to other attendees as appropriate, at the same time.

- 3.9 The secretary of the Committee will minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 3.10 The secretary of the Committee must ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 3.11 The secretary of the Committee must promptly circulate minutes of Committee meetings to all members of the Committee and, once agreed, to all members of the Board.
- 3.12 Outside of the formal meeting programme, the committee chair will maintain a dialogue with key individuals involved in the company's governance, including the board chair, the chief executive, the chief financial officer, the external audit lead partner and the head of internal audit.

4. **AUTHORITY**

- 4.1 The Committee is authorised to:
 - 4.1.1 seek any information it requires from any employee of the Company so as to perform its duties;
 - 4.1.2 obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
 - 4.1.3 investigate and undertake any activity within these terms of reference;
 - 4.1.4 seek any information it properly requires in order to perform its duties from the company secretary, any director, employee or professional adviser of the Company or any subsidiary of the Company (the Company and its subsidiaries from time to time being the "**Group**"); and
 - 4.1.5 call any employee to be questioned at a meeting of the Committee as and when required.
- 4.2 All directors, employees or professional advisers of the Company are directed to co-operate with any such request made by the Committee.
- 4.3 If the Committee considers it necessary so to examine any activity within its terms of reference, it is authorised to obtain appropriate external professional advice including, without limitation, legal and accounting advice to assist it in the performance of its duties, to secure the services of outsiders with relevant experience and expertise and to invite such persons to attend meetings of the Committee. The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligations. The cost of obtaining such advice or services shall be borne by the Company within such limits as may be authorised by the Board from time to time.
- 4.4 Each member of the Committee shall disclose to the Committee:
 - 4.4.1 any personal, financial or other interest in any matter to be decided or discussed by the Committee; and/or

- 4.4.2 any potential conflict of interest arising from a cross-directorship or otherwise; and any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee or absent himself from all or part of the meeting of the Committee in question.

5. DUTIES

- 5.1 The Committee will carry out the duties set out in this paragraph 5 for the Company, its major subsidiary undertakings and the Group as a whole, as appropriate.

Financial reporting

- 5.2 The Committee shall:

- 5.2.1 monitor the integrity of the financial statements of the Company, including:
- (a) its annual and interim reports;
 - (b) preliminary results' announcements and any other formal announcement relating to its financial performance; and
 - (c) compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements;
- 5.2.2 review significant financial reporting issues and judgements which they contain; and
- 5.2.3 review all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as it relates to audit and risk management;
- 5.2.4 review first any other statements that contain financial information and require board approval, if carrying out a review before Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules; and
- 5.2.5 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.

- 5.3 The Committee shall review and challenge where necessary:

- 5.3.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and Group;
- 5.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 5.3.3 whether the Company has followed appropriate accounting standards and made proper estimates and judgements, taking into account the views of the external auditors;
- 5.3.4 the clarity of disclosures in the Company's financial reports and the context in which statements are made; and

- 5.3.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- 5.4 The Committee will review the annual financial statements of the pension funds (as applicable) where these are not reviewed by the Board as a whole.

Narrative Reporting

- 5.5 Where requested by the board, the Committee shall 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 and whether it informs the board's statement in the annual report on these matters that is required under Provision 25 of the UK Corporate Governance Code.

Risk Assessment

- 5.5 The Committee will:
 - 5.5.1 advise the Board on the Company's overall risk appetite, tolerance and strategy;
 - 5.5.2 oversee and advise the Board on the current risk exposures of the company and future risk strategy;
 - 5.5.3 keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
 - 5.5.4 advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence risk appraisal of the proposition is undertaken, with the support of external advice where appropriate and available;
 - 5.5.5 review reports on any material breaches of risk appetite and the adequacy of proposed action;
 - 5.5.6 keep under review the effectiveness of the Company's risk management framework and systems and review and approve any statements to be included in the annual report concerning internal controls and risk management (in collaboration with the audit committee); and
 - 5.5.7 provide advice to the remuneration committee on risk weightings.

Internal controls and risk management systems

- 5.6 The Committee will:
 - 5.6.1 keep under review the effectiveness of the Company's internal controls and risk management systems; and
 - 5.6.2 review and approve the statements to be included in the annual report concerning internal controls and risk management unless this is done by the Board as a whole.

Whistleblowing and Fraud

- 5.7 The Committee will review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee must ensure that these arrangements allow proportionate and independent investigation of any such matters and appropriate follow up action.
- 5.8 The Committee shall review the Company's procedures for detecting fraud.
- 5.9 The Committee shall review regular reports from the Company's money laundering reporting officer and review the adequacy and effectiveness of the Company's anti-money laundering systems and controls.
- 5.10 The Committee shall review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

Internal audit

- 5.11 The Committee will:
 - 5.11.1 where there is no internal audit function, consider at least once a year, whether there is a need for one. In the event that there is no need for an internal audit function, the reasons for this decision shall be fully explained in the Company's annual report;
 - 5.11.2 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
 - 5.11.3 approve the appointment and removal of the head of internal audit;
 - 5.11.4 consider and approve the terms of reference 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 must also ensure the internal audit function has adequate standing and is free from management or other restrictions;
 - 5.11.5 review and assess the annual internal audit plan;
 - 5.11.6 review promptly all reports on the Company from the internal auditors;
 - 5.11.7 review and monitor management's responsiveness to the findings and recommendations of the internal auditors; and
 - 5.11.8 meet the head of internal audit at least once a year, without management being present, to discuss the terms of reference of the internal audit function and any issues arising from the internal audits carried out. As part of the Committee's review it must ensure, additionally, that the head of internal audit has direct access to the chairman of the Board and to the Committee.

External audit

- 5.12 The Committee shall, taking into account any applicable law and legislation, other professional requirements and the Financial Reporting Standard's Revised Ethical Standard 2019 (Ethical Standard):

- 5.12.1 consider and make recommendations to the Board (to be put to shareholders for approval at the annual general meeting) in relation to the appointment, reappointment and removal of the Company's external auditors. The Committee will oversee the selection process for new auditors and if the auditors resign the Committee will investigate the issues leading to this and decide whether any action is required.
 - 5.12.2 if any external auditor resigns, investigate the issues leading to this and decide whether any action is required; and
 - 5.12.3 evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee and consider the need to include the risk of the withdrawal of the external auditor from the market in that evaluation;
- 5.13 The Committee will oversee the Company's relationship with the external auditors including, but not limited to:
- 5.13.1 monitoring 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 the legal, professional and regulatory requirements, guidance and the Ethical Standard;
 - 5.13.2 approval of the auditors' terms of engagement (including any engagement letter issued at the start of each audit and the scope of the audit);
 - 5.13.3 assessing annually:
 - (a) the auditors' independence and objectivity taking into account relevant United Kingdom law, the Ethical Standard and other professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards to mitigate those threats including the provision of any non-audit services; and
 - (b) the qualifications, expertise and resources of the external auditor and, taking into account relevant UK professional and regulatory requirements, the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - 5.13.4 seeking reassurance that the auditors and their staff have no family, employment, investment, financial or business relationships with the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;;
 - 5.13.5 agreeing with the Board a policy on the employment of former employees of the auditors and monitoring the implementation of this policy, taking into account the Ethical Standard and legal requirements and monitor the application of this policy;
 - 5.13.6 seeking annually information from the external audit firm about, and monitor, the external audit firm's policies and processes for maintaining independence and its compliance with the relevant UK law, regulation and other professional requirements and the Ethical Standard, including guidance on the rotation of the audit partner and staff;; and

5.14.7 assessing annually the auditors' qualifications, expertise and resources and the effectiveness of the audit process which will include a report from the external auditors on their own internal quality procedures.

5.14 The Committee will:

5.14.1 meet regularly with the external auditors including once at the planning stage before an audit and once after the audit at the reporting stage;

5.14.2 meet the external auditors at least once a year, without management being present, to discuss their terms of reference and any issues arising from the audit;

5.14.3 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

5.14.4 review the findings of the audit with the external auditors. This will include but not be limited to a discussion relating to any major issues which arose during the audit, any accounting and audit judgements, and the levels of errors identified during the audit;

5.14.5 review the effectiveness of the audit;

5.14.6 review any representation letters requested by the external auditors before signature by management;

5.14.7 review the management letter and management's response to the auditors' findings and recommendations; and

5.14.8 develop and implement a policy on the supply of non-audit services by the external auditors taking into account any relevant ethical guidance.

6. **REPORTING**

6.1 The Committee chair will report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.

6.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its terms of reference where action or improvement is needed.

6.3 The Committee will compile a report to shareholders on its activities and how it has discharged its responsibilities to be included in the Company's annual report, which shall include:

6.3.1 details of the membership of the Committee, number of meetings held and attendance over the course of the year;

6.3.2 a summary of the role and work of the Committee;

6.3.3 how the Committee's performance evaluation has been conducted;

- 6.3.4 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 external auditor, the nature and extent of any interaction with the Financial Reporting Council's Corporate Reporting Review team and any significant findings of a review of the Company's audit conducted by the Financial Reporting Council's Audit Quality Review team;
 - 6.3.5 an explanation of its assessment of the independence and effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company and the Group, auditor objectivity and independence is safeguarded) and its approach taken to the appointment or reappointment of the external auditor, and the amount of fees paid to the auditor for any of its services;
 - 6.3.6 the Committee's policy for approval of non-audit services, how auditor objectivity and independence is safeguarded, the audit fees for the statutory audit for audit related services and other non-audit services, including the ratio of audit to non-audit work, and for each significant engagement, or category of engagements, what the services are and why the Committee concluded that it was in the Company's interests to purchase them from the external auditor;
 - 6.3.7 an explanation of how the Committee has addressed the effectiveness of the internal audit process and if there is no internal audit function, an explanation for the absence, how internal assurance is achieved and how this affects the work of external audit;
 - 6.3.8 all other information requirements set out in the UK Corporate Governance Code; and
 - 6.3.9 any other issues on which the board has requested the Committee's opinion.
- 6.4 In compiling the report referred to in clause 6.3 above, the Committee shall:
- 6.4.1 exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the board's assessment of whether the Company is a going concern and the longer term viability statement; and
 - 6.4.2 make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.5 The Committee chair will attend the annual general meeting of the Company prepared to respond to any questions of shareholders regarding the Committee's activities. In addition the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

7. OTHER MATTERS

- 7.1 The Committee will:
 - 7.1.1 have access to the resources of the Company as are necessary for carrying out its duties, including access to the Company secretariat team for assistance as required;
 - 7.1.2 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;

- 7.1.3 give due consideration to laws and regulations, in particular the directors duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code and the requirements of the London Stock Exchange's rules for AIM companies and any other applicable rules as appropriate;
- 7.1.4 be responsible for co-ordination of the internal and external auditors; and 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;
- 7.1.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 7.1.6 at least once a year, review its own performance, 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.

Adopted at the meeting of the board of directors held on [DATE].

'Last reviewed and updated on 21 March 2024.'