

Gresham House plc (the “Company”)
Audit Committee (the “Committee”)
Terms of Reference

1. Constitution

The Committee is constituted and appointed by the board of directors of the Company (the “**Board**”) (on the recommendation of the Company’s Nominations Committee) in accordance with the articles of association of the Company.

2. Duties and terms of reference

2.1 The Committee shall:

- (a) 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 the Committee should also advise the Board on whether the annual report and accounts informs the Board’s statement in the annual report on these matters;
- (b) regularly review the Company’s policies, practices and information, including the interim and annual report and accounts, preliminary announcements and related formal statements before submission to the Board, focusing particularly, but not exclusively, on:
 - (i) critical accounting policies and practices, and any changes in them;
 - (ii) major judgemental decision areas;
 - (iii) significant adjustments arising from the audit;
 - (iv) the clarity of disclosures;
 - (v) corporate governance statements relating to the audit and to risk management;
 - (vi) the going concern statement;
 - (vii) compliance with accounting standards;
 - (viii) compliance with stock exchange and other legal requirements;
 - (ix) the review of policies and processes for identifying and assessing risk;
 - (x) disclosures on key risks and management’s responses to them; and
 - (xi) any other topics as requested by the Board;
- (c) consider and make recommendations to the Board, to be put to shareholders for their approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company’s external auditor. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (d) unless expressly addressed by a separate risk committee comprised of independent directors or by the directors themselves (and it is noted that the approval of the Company’s internal control and risk management systems is a responsibility of the Board as a whole):
 - (i) keep under review the adequacy and effectiveness of the Company’s internal financial controls and internal control and risk management systems; and
 - (ii) review and approve the risk matrix and the statements to be included in the annual report concerning internal controls and risk management;
- (e) oversee and 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 and review any such concerns raised. The Committee shall review these arrangements annually to ensure that they allow proportionate and independent investigation of

such matters and appropriate follow up action and will require confirmation from the HR Director/Head of Compliance/CFO of any such matters that may have been raised;

- (f) review the Company's procedures for detecting fraud annually and receive reports on non-compliance;
- (g) review the Company's systems and controls for the prevention of bribery annually and receive reports on non-compliance;
- (h) oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (i) oversee the relationship with the external auditor including (but not limited to):
 - (i) approval of their remuneration, including 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) reviewing and assessing their independence and objectivity and the effectiveness of the audit process, taking into account relevant UK professional and regulatory requirements (including any relevant ethical standard) and the relationship with the auditor as a whole, including any threats to the auditors' independence and safeguards applied to mitigate those threats 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 auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor, as captured in the Recruitment Policy, taking into account any relevant ethical standard and legal requirements, then monitoring the implementation of this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical, legal regulatory and professional guidance on the rotation of audit partners, 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 qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
 - (viii) 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 their auditor from the market on that evaluation;
- (j) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor (at least once a year), without management being present, to discuss their remit and any issues arising from the audit. Where appropriate, the Committee should have regular contact with the external auditor throughout the year to ensure any issues which arise are dealt with promptly;
- (k) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (l) review the findings of the audit 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) any key accounting and audit judgements;

- (iii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iv) the auditor's view of their interactions with senior management;
 - (v) levels of errors identified during the audit; and
 - (vi) the effectiveness of the audit;
- (m) review any representation letter(s) requested by the external auditor before they are signed by management;
 - (n) review the management letter and management's response to the auditor's findings and recommendations;
 - (o) 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;
 - (p) oversee a policy on the supply of non-audit services by the external 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. 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 for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (v) the criteria governing compensation
 - (q) have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
 - (r) 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, and including training (where necessary) so that they can effectively challenge the finance team on financial reporting matters;
 - (s) give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code, the QCA Corporate Governance Code, and the requirements of the London Stock Exchange's rules for AIM companies as appropriate and make use of other relevant guidance available from the FRC and ICAEW;
 - (t) be responsible for co-ordination with the external auditors;
 - (u) oversee any investigation of activities which are within its terms of reference;
 - (v) arrange for periodic review of its own performance and, at least once a year, 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
 - (w) consider such other matters as may be requested by the Board.

2.2 The Committee should carry out its duties for the Company and the group as a whole as appropriate.

2.3 The Company does not currently have an internal audit function. The decision on whether or not to set up an internal audit function shall be considered at least annually by the Committee and an appropriate recommendation shall be made to the Board with the reasons for the absence of such a function being explained in the relevant section of the annual report.

3. Membership

- 3.1 The 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. All of the members of the Committee should be non-executive directors who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement. Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.
- 3.2 The Committee shall consist of at least three members and at least one member should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. It has been agreed that the members of the Committee will be Anthony Townsend, Richard Chadwick, Rachel Beagles, Gareth Davis and Simon Stillwell, all of whom are considered to be independent non-executive directors.
- 3.3 The Board shall appoint a Committee chair. In the absence of a Committee chair, the remaining Committee members present shall elect one of themselves as chair. Richard Chadwick is the Committee chair. He is considered to be literate in finance and accounting matters as a Chartered Accountant, and is able to understand, and if necessary challenge, the financial reporting matters provided by the Chief Financial Officer. The chairperson of the Board shall not be chairperson of the Committee.
- 3.4 A quorum shall be any two members of the Committee. The Committee chair and members shall be listed each year in the Company's annual report.

4. Attendance at meetings

- 4.1 The Committee will meet at least twice a year at appropriate intervals in the financial reporting and audit cycle. The Committee may meet at other times during the year as agreed between the members of the Committee or as required.
- 4.2 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, Chief Executive, Chief Financial Officer and the external audit lead partner.
- 4.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer and external auditors will be invited to 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.
- 4.4 The Company's external auditors may be required to attend Committee meetings, but not in the presence of any of the executive directors of the Company, with a view to consulting with the Committee.
- 4.5 The company secretary or his or her nominee shall be the secretary ("**Secretary**") of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of the external auditors if they consider if necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend and all other non-executive directors no later than five working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time.
- 5.3 Meetings of the Committee may be conducted when the members are physically present or in the form of either a video or audio conference.
- 5.4 Notices, agendas and supporting papers can be sent in electronic form.

6. Authority

- 6.1 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.
- 6.2 The Committee is authorised by the Board to examine any activity within its terms of reference and is authorised to have unrestricted access to the Company's external auditors and to obtain, at the Company's expense, professional advice on any matter within its terms of reference.
- 6.3 The Committee is authorised to seek any information it requires from any employee or director, and all such employees or directors will be directed to co-operate with any request made by the Committee.
- 6.4 The Committee has the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

7. Reporting

- 7.1 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.2 The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted.
- 7.3 Draft minutes of each meeting will be circulated promptly and, in any event no later than 14 days after each meeting, to all members of the Committee. Once approved, the minutes of each meeting will be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee chair.
- 7.4 If the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- 7.5 The chair of the Committee 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. The report shall include:
 - (a) the significant issues that it had considered in relation to the financial statements and how these were addressed;
 - (b) the assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 7.6 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.7 The recommendations of the Committee must be approved by the Board before they can be implemented.
- 7.8 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report shall 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.
- 7.9 In the compiling the reports referred to above, 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 of director'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.
- 7.10 The chair of the Committee should make himself or herself available at each Annual General Meeting of the Company to answer questions concerning the Committee's work.