

XLMedia Plc (company number 114467) (the “Company”)

Terms of reference of the Audit and Risk Committee adopted by the board of directors of the Company on 30 January 2024

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1. MEMBERSHIP

- 1.1. The board of directors of the Company (the “**Board**”) has resolved to establish a committee of the Board to be known as the “**Audit and Risk Committee**”.
- 1.2. Membership of the Audit and Risk Committee shall consist of at least two members. Members of the Audit and Risk Committee shall be appointed by the Board, in consultation with the chairperson of the Audit and Risk Committee. All members of the Audit and Risk Committee shall be independent non-executive directors. At least one member of the Audit and Risk Committee shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. Where the Board cannot satisfy itself that this requirement is met, the members of the Audit and Risk Committee shall seek independent accounting advice as and when required and in accordance with paragraph 12.1.3. The Audit and Risk Committee as a whole shall have competence relevant to the sector in which the Company operates. The chairperson of the Company may serve on the Audit and Risk Committee, provided that (s)he was independent on appointment as chairperson.
- 1.3. Only members of the Audit and Risk Committee have the right to attend Audit and Risk Committee meetings. However, the external auditor and the Company’s Chief Financial Officer will be invited to attend meetings of the Audit and Risk 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.
- 1.4. Appointments to the Audit and Risk Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 1.5. The Board shall appoint the Audit and Risk Committee chairperson. In the absence of the Audit and Risk Committee chairperson and/or an appointed deputy, the remaining members shall elect one of themselves to chair the meeting. The chairperson of the Board shall not be the chairperson of the Audit and Risk Committee, except on an interim basis.

2. CHAIRPERSON RESPONSIBILITIES

- 2.1. The Audit and Risk Committee chairperson shall ensure that:
 - 2.1.1. comprehensive information is available in advance of meetings to enable informed decision making; and
 - 2.1.2. the decisions made about matters discussed during the meetings are clearly recorded.

3. SECRETARY

- 3.1. The company secretary, or his or her nominee, shall act as the secretary of the Audit and Risk Committee.

3.2. The company secretary will ensure that:

- 3.2.1. the Audit and Risk Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues; and
- 3.2.2. where information and documents circulated to the Audit and Risk Committee contain sensitive information and/or personal data the Company's data protection policies are complied with.

4. QUORUM

4.1. The quorum necessary for the transaction of business shall be two members of the Audit and Risk Committee.

5. MEETINGS

5.1. The Audit and Risk Committee shall meet at least two times a year at appropriate intervals in the financial reporting and audit cycle, and otherwise as required.

5.2. Outside of the formal meeting programme, the Audit and Risk Committee chairperson will maintain a dialogue with key individuals involved in the Company's governance, including the chairperson of the Board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

5.3. Meetings of the Audit and Risk Committee may be conducted when the members are physically present or in the form of either a video or audio conference.

5.4. Each member of the Audit and Risk Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Audit and Risk Committee.

5.5. Each member of the Audit and Risk Committee shall disclose to the Audit and Risk Committee:

- 5.5.1. any personal financial interest (other than as a shareholder) in any matter to be decided by the Audit and Risk Committee; or
- 5.5.2. any potential conflict of interest arising from a cross-directorship.

5.6. If a matter that is considered by the Audit and Risk Committee is one where a member of the Audit and Risk Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

5.7. Save where they have a personal interest, the chairperson of the Audit and Risk Committee will have a casting vote.

6. NOTICE OF MEETINGS

- 6.1. Meetings of the Audit and Risk Committee shall be convened by the secretary of the Audit and Risk Committee at the request of any of its members or at the request of the external audit lead partner or the head of internal audit if they consider it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be sent to each member of the Audit and Risk 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.
- 6.3. Supporting papers shall be sent to Audit and Risk Committee members and to other attendees as appropriate, at the same time.

7. MINUTES OF MEETINGS

- 7.1. The secretary shall minute the proceedings and resolutions of all Audit and Risk Committee meetings, including the names of those present and in attendance.
- 7.2. Draft minutes of the Audit and Risk Committee meetings shall be circulated promptly to all members of the Audit and Risk Committee. Once approved, minutes shall be circulated to all other members of the Board unless in the opinion of the Audit and Risk Committee chairperson it would be inappropriate to do so.

8. ANNUAL GENERAL MEETING (“AGM”)

- 8.1. The Audit and Risk Committee chairperson shall attend the AGM to answer shareholder questions on the Audit and Risk Committee’s activities.

9. DUTIES

- 9.1. The Audit and Risk Committee shall carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

9.1.1. Financial reporting

- 9.1.1.1. The Audit and Risk Committee shall:
 - 9.1.1.1.1. monitor and discuss with management the integrity of the financial and narrative statements of the Company, including its annual and half-yearly reports, interim management statements (if applicable), and any other formal announcement or other financial information provided to shareholders relating to its financial performance;
 - 9.1.1.1.2. review and report to the Board on significant financial reporting issues and judgments which the financial and narrative statements of the Company contain having regard to matters communicated to it by the external auditor;

9.1.1.1.3. review and challenge where necessary:

- 9.1.1.1.3.1. the application and appropriateness of significant accounting policies;
 - 9.1.1.1.3.2. any changes to significant accounting policies both on a year on year basis and across the Company and its subsidiaries including the application of new accounting policies in half-yearly accounts, and the plan to communicate those changes to shareholders and the market;
 - 9.1.1.1.3.3. management's assessment of the impact of new accounting policies on the distributable reserves of the Company and its subsidiaries;
 - 9.1.1.1.3.4. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
 - 9.1.1.1.3.5. the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - 9.1.1.1.3.6. the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
 - 9.1.1.1.3.7. significant adjustments resulting from the external audit;
 - 9.1.1.1.3.8. the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company/the Company's group looking forward over an appropriate and justified period), including the robustness of stress-testing and scenario planning, and disclosures around such analysis; and
 - 9.1.1.1.3.9. the legality of any proposed dividend and the Company's ability to pay it and remain a going concern; and
 - 9.1.1.1.3.10. all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit and to risk management.
- 9.1.1.1.4. monitor compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements;

- 9.1.1.2. Where the Audit and Risk Committee is not satisfied with an aspect of the proposed financial reporting by the Company, the Audit and Risk Committee shall report its views to the Board.

9.1.2. Narrative reporting

- 9.1.2.1. Where requested by the Board, the Audit and Risk 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.

9.1.3. Internal controls and risk management systems

- 9.1.3.1. The Audit and Risk Committee shall:

- 9.1.3.1.1. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- 9.1.3.1.2. consider the appropriate risk appetite for the Company across all major activities, taking into account the overall strategy of the Company, its future plans and other internal information, as well as the external environment, including economic, political and industry information;
- 9.1.3.1.3. on an annual basis, ensure that a robust assessment of the emerging and principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks;
- 9.1.3.1.4. oversee the current and prospective risks faced by the Company and its strategy in relation to future risks;
- 9.1.3.1.5. review the methodology for reporting risk to the Board, including both quantitative and qualitative measures;
- 9.1.3.1.6. set triggers for reporting and escalation of significant emerging risks which may be critical to the Company and assess the Company's ability to manage new risks;
- 9.1.3.1.7. review and approve the statements to be included in the annual report concerning internal controls and risk management; and

- 9.1.3.1.8. review all material adverse crystallisation of risks, including those involving breaches of the Company's procedures, carrying out root cause analysis and introducing lessons learned into the risk management system.

9.1.4. Compliance whistleblowing and fraud

- 9.1.4.1. The Audit and Risk Committee shall:

- 9.1.4.1.1. 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 Audit and Risk Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate following up action;
- 9.1.4.1.2. review the Company's procedures for detecting fraud;
- 9.1.4.1.3. review the Company's systems and controls for the prevention of bribery and corruption, modern slavery and money laundering, and receive reports on non-compliance; and
- 9.1.4.1.4. review regular reports from the company secretary and keep under review the adequacy and effectiveness of the Company's compliance policies and processes.

9.1.5. Internal audit

- 9.1.5.1. The Audit and Risk Committee shall:

- 9.1.5.1.1. approve the appointment or termination of appointment of the head of internal audit. That role may be carried out by a member of staff of the Company or be outsourced to an external accountancy firm;
- 9.1.5.1.2. review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 9.1.5.1.3. ensure the internal auditor has direct access to the Board's chairperson and to the Audit and Risk Committee's chairperson and is accountable to the Audit and Risk Committee;

- 9.1.5.1.4. review and assess the annual internal audit work plan to ensure it is aligned to the business's key risks and receive regular reports on work carried out;
- 9.1.5.1.5. receive a report on the results of the internal auditor's work on a periodic basis;
 - 9.1.5.1.5.1. review and monitor management's responsiveness to the internal auditor's findings and recommendations;
 - 9.1.5.1.5.2. meet with the head of internal audit at least once a year without the presence of management; and
 - 9.1.5.1.5.3. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

9.1.6. External audit

9.1.6.1. The Audit and Risk Committee shall:

- 9.1.6.1.1. 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;
- 9.1.6.1.2. ensure that at least once every ten years the audit services contract is put out to tender to enable the Audit and Risk 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;
- 9.1.6.1.3. if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.1.6.1.4. oversee the relationship with the external auditor including (but not limited to):
 - 9.1.6.1.4.1. recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- 9.1.6.1.4.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 9.1.6.1.4.3. assessing annually their independence and objectivity taking into account relevant professional, legal and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 9.1.6.1.4.4. 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;
 - 9.1.6.1.4.5. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - 9.1.6.1.4.6. 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;
 - 9.1.6.1.4.7. seeking to ensure co-ordination with the activities of the internal audit function; and
 - 9.1.6.1.4.8. 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 auditor from the market in that evaluation.
- 9.1.6.1.5. 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;
 - 9.1.6.1.6. 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
 - 9.1.6.1.7. review the findings of the audit with the external auditor. This shall include but not be limited, to the following:

- 9.1.6.1.7.1. a discussion about any major issues which arose during the audit;
- 9.1.6.1.7.2. key accounting and audit judgments;
- 9.1.6.1.7.3. levels of errors identified during the audit; and
- 9.1.6.1.7.4. the effectiveness of the audit process.

9.1.6.2. The Audit and Risk Committee shall also:

- 9.1.6.2.1. review any representation letter(s) requested by the external auditor before they are signed by management;
- 9.1.6.2.2. review the management letter and management's response to the auditor's findings and recommendations; and
- 9.1.6.2.3. develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

10. REPORTING RESPONSIBILITIES

- 10.1. The Audit and Risk Committee chairperson 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:
 - 10.1.1. the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.1.1.1) and how these were addressed;
 - 10.1.2. its assessment of the effectiveness of the external audit process (required under paragraph 9.1.6.1.4.8) and its recommendation on the appointment or reappointment of the external auditor; and
 - 10.1.3. any other issues on which the Board has requested the Audit and Risk Committee's opinion.
- 10.2. The Audit and Risk Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3. The Audit and Risk Committee shall compile a formal report on its activities to be included in the Company's annual report. The report should include an explanation of:

- 10.3.1. how the Audit and Risk Committee has addressed the effectiveness of the external audit process;
 - 10.3.2. the significant issues that the Audit and Risk Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to the Audit and Risk Committee by the external auditor;
 - 10.3.3. the Audit and Risk and Risk 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 Audit and Risk Committee concluded that it was in the Company's interests to purchase them from the external auditor;
 - 10.3.4. an explanation of how the Audit and Risk Committee has addressed the effectiveness of the internal audit process; and
 - 10.3.5. any other issues on which the Board has requested the Audit and Risk Committee's opinion.
- 10.4. In the compiling the reports referred to in paragraph 10.1 and paragraph 10.3, the Audit and Risk 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.

11. OTHER MATTERS

- 11.1. The Audit and Risk Committee shall:
- 11.1.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
 - 11.1.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
 - 11.1.3. give due consideration to all applicable laws, regulations and ethical codes of practice;
 - 11.1.4. be responsible for co-ordination of the internal and external auditors;

- 11.1.5. oversee any investigation of activities which are within its terms of reference;
- 11.1.6. work and liaise as necessary with all other Board committees;
- 11.1.7. arrange for periodic reviews of its own performance and, constitution and these terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board; and
- 11.1.8. make available these terms of reference to shareholders and post a copy of them on the Company's website.

12. AUTHORITY

12.1. The Audit and Risk Committee is authorised to:

- 12.1.1. seek any information it requires from any member of staff of the Company in order to perform its duties;
- 12.1.2. have unrestricted access to the Company's documents and information;
- 12.1.3. obtain, at the Company's reasonable expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.1.4. call any member of staff to be questioned at a meeting of the Audit and Risk Committee as and when required; and
- 12.1.5. have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Audit and Risk Committee and the Board.