

PensionBee Audit and Risk Committee

Terms of Reference

Adopted by the Board of PensionBee Group on: 13 April 2022

The PensionBee Group **consists** of PensionBee Group PLC (the “**Parent**”) and PensionBee Limited (the “**Subsidiary**”).

1. Composition and meetings of the Audit and Risk Committee

1.1 The Audit and Risk Committee comprises not less than two independent non-executive directors of the Group while the Group is considered a smaller company and subsequently three independent non-executive directors. Where possible, it should include at least one member of the remuneration committee and/or include one non-executive director specifically responsible for risk. Members of the Audit and Risk Committee should be appointed by the board of directors of the Group (the “**Board**”), on the recommendation of the Nomination Committee in consultation with the chair of the Audit and Risk Committee. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent and meet the membership criteria of the committee.

1.2 All members of the Audit and Risk Committee shall have the skills and experience appropriate for **membership** and at least one member shall have recent and relevant financial experience with competence in accounting and/or auditing, such as a professional qualification from one of the professional accountancy bodies. Members shall have appropriate knowledge, skills and expertise to fully understand risk appetite and strategy/members as a whole shall have relevant risk expertise. The Audit and Risk Committee as a whole shall have competence relevant to the sector in which the Group operates.

1.3 The Chair of the Group shall not be a member of the Audit and Risk Committee.

1.4 The chair of the Audit and Risk Committee shall be appointed by the Board and shall be a non-executive director. In the absence of the chair of the Audit and Risk Committee and/or appointed deputy at a meeting of the Audit and Risk Committee, the remaining members shall elect one of themselves to chair the meeting.

1.5 If any member of the Audit and Risk Committee is unable to act for any reason, the chair of the Audit and Risk Committee may appoint any other independent non-executive director of the Group to act as their alternate.

1.6 The Group company secretary (or their nominee) shall be the secretary of the Audit and Risk Committee and will ensure that the Audit and Risk Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues. The Audit and Risk Committee should have access to the services of the Group company secretariat on all Audit and Risk Committee matters including assisting the chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support.

1.7 The quorum for meetings of the Audit and Risk Committee is any two of its members.

1.8 Only members of the Audit and Risk Committee and those entitled to attend as an observer have the right to attend meetings of the Audit and Risk Committee. However, the Chair of the Group, Chief Executive Officer, Chief Financial Officer, Finance Director and the external audit lead partner will be invited and expected to attend meetings 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.

1.9 Meetings of the Audit and Risk Committee are to be held at least four times a year at appropriate times in the financial reporting and audit cycle and otherwise as required. Any of the Audit and Risk Committee members, the Chief Financial Officer, the Finance Director or the Group's external auditor may request a meeting of the Audit and Risk Committee if they consider it necessary, to be arranged by the secretary.

1.10 The chair of the Audit and Risk Committee, and to a lesser extent the other members of the Audit and Risk Committee, will maintain a dialogue outside the formal meeting dialogue with key individuals involved in the Group's governance, including the Chair of the Group, the Chief Executive Officer, the Chief Financial Officer, the Finance Director and the external audit lead partner.

1.11 The chair of the Audit and Risk Committee shall have the right of direct access to the chairman of the Board.

1.12 Meetings of the Audit and Risk Committee shall be called by the secretary of the Audit and Risk Committee at the request of the chair of the Audit and Risk Committee or any of its members, or at the request of the external audit lead partner if they consider it necessary. Unless otherwise agreed by the Audit and Risk Committee, notice of each meeting, confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Audit and Risk Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall be sent to the members of the Audit and Risk Committee and to other attendees, as appropriate, at the same time. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

2. Duties of the Audit and Risk committee

2.1 The Audit and Risk Committee shall have oversight of the Group as a whole. The duties of the Audit and Risk Committee are:

External audit

2.1.1 in respect of the external audit:

- (a) to have prime responsibility for the appointment of the external auditor. This includes negotiating the fee and scope of the audit, initiating a tender process, influencing the appointment of an engagement partner and making formal recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- (b) to 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 develop and oversee the selection process in accordance with applicable UK Corporate Governance Code and other regulatory requirements and ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (c) to oversee the relationship with the external auditor including (but not limited to):
 - (i) considering and approving the external auditor's remuneration, including fees for audit or non-audit services and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (ii) approval of the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) discussing, before the audit starts, the nature and scope of the audit;
 - (iv) assessing annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, other ethical and professional requirements and the Ethical Standards for Auditors (including considering the annual disclosure from the statutory auditor and any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non-audit services);
 - (v) assessing annually all relationships between the Group and the external auditor, including throughout the external auditor's network firms, and satisfying itself that there are no relationships between the external auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

- (vi) monitoring the external auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other ethical and professional requirements and the Ethical Standard for Auditors (including the guidance on rotation of audit partner and staff);
 - (vii) the level of fees paid by the Group to the external auditor compared to the overall fee income of the firm, office and partner and assessing these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standards for Auditors;
 - (viii) assessing annually the external auditor's qualifications, expertise and resources and independence and the effectiveness of the external audit process which shall include a report from the external auditor on their own internal quality procedures;
 - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communications with the Audit and Risk Committee; and
 - (x) being responsible for the oversight of the co-ordination of the external audit function with the activities of the internal audit function, where an internal audit function exists;
- (d) to 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 Audit and Risk Committee shall meet the external auditor at least once a year, without management being present, to discuss its remit and any issues arising from the audit;
- (e) to 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;
- (f) to 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) an explanation by the external auditor of how the risks to audit quality were addressed;
 - (iii) a review of areas of significant judgement and a review of key accounting and audit judgements;
 - (iv) a discussion with the external auditor regarding their perception of their interactions with senior management and other members of the finance team;

- (v) level of errors identified during the audit; and
- (vi) the effectiveness of the audit process;
- (g) to ask the external auditor to explain the risks to audit quality that they identified and how these have been addressed;
- (h) to discuss with the external auditor the key audit firm and network level controls the external auditor relied on to address the identified risks to audit quality and enquire about the findings from internal and external inspections of their audit and their audit firm;
- (i) to keep under review the scope and results of the audit, the audit fee and its cost effectiveness, taking into consideration relevant professional and regulatory requirements;
- (j) to review:
 - (i) any representation letter(s) requested by the external auditor before they are signed by management, giving particular consideration to matters where representation has been requested that relate to non-standard issues; and
 - (ii) the management letter and management's response to the external auditor's findings and recommendations;
- (k) to develop and recommend to the Board the Group's formal policy on the provision of non-audit services by the external auditor, including prior approval of non-audit services by the Audit and Risk 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 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;

- (l) to agree with the Board a policy on the employment of former employees of the Group's external auditor taking into account the Ethical Standard for Auditors and legal requirements, then monitoring the implementation of this policy; and
- (m) if an external auditor resigns, to investigate the issues leading to this and decide whether any action is required;

Audit plan

2.1.2 to 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;

2.1.3 to review whether the auditor has met the agreed audit plan and understand the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditor to address those risks;

Financial reporting

2.1.4 to monitor the integrity of Group and each company's separate financial statements including half-year financial statements, annual reports and accounts, preliminary announcements and any other formal statements concerning the Group and each company's financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the external auditor. The Audit and Risk Committee shall also review the strategic report, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of price sensitive information;

2.1.5 to review and challenge, where necessary:

- (a) the application, consistency of, and any changes to, significant accounting policies;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Group has adopted appropriate accounting policies and standards and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
- (d) the clarity and completeness of disclosure in the Group and each company's separate financial reports and the context in which statements are made;
- (e) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management; and

(f) where the Audit and Risk Committee is not satisfied with any aspect of the proposed financial reporting by the Group, to report its views to the Board;

2.1.6 to review any other statements requiring Board approval which contain financial information first, where carrying out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook, the Market Abuse Regulation or the Prospectus Regulation;

2.1.7 to submit the documents referred to in paragraph 2.1.4 to the Board for its approval and to determine what information should be brought to the Board's attention in connection with that submission;

Narrative reporting

2.1.8 where requested by the Board, to 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 Group'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 the UK Corporate Governance Code;

Internal controls and risk management systems

2.1.9 to assist the Board with the definition and execution of a risk management strategy, risk policies and current risk exposures, including any prudential risks;

2.1.10 in support of the Board's risk management strategy, to:

(a) ensure that the Audit and Risk Committee delivers effective monitoring of risk management systems and risk appetite across the Group by working closely at all times with the compliance and risk management departments;

(b) review the Group's compliance system of corporate standards and procedures and assess the effectiveness of these standards and procedures;

(c) assess the policies and systems within the Group for ensuring compliance with safety and environmental regulatory requirements;

(d) assess the performance of the Group with regard to the impact of safety and environmental decisions and actions upon employees, communities, other third parties and the overall reputation of the Group;

(e) evaluate and oversee, on behalf of the Board, the quality and integrity of any reporting to external stakeholders concerning safety and environmental issues;

(f) ensure the adequacy of insurance coverage for the Group;

(g) maintain a risk register which will identify all material risks, evaluate any financial impact of such risks, identify actions to mitigate or avoid any potential impact from such risks, and, going forward, monitor and review the risks; and

(h) review the results of any independent audits of the Group's performance in regard to safety and environmental matters, review any strategies and action plans developed by management in response to issues raised and, where appropriate, make recommendations to the Board concerning the same;

2.1.11 to assist the Board with monitoring and reviewing the Group's risk management and internal control systems on an on-going basis, including monitoring material financial, operational and compliance controls and ensuring corrective action is taken where necessary;

2.1.12 to assist the Board with its annual review of, and report on, the effectiveness of the Group's risk management and internal control systems and the viability statement, including meeting at least once annually with the head of any internal audit, where such head exists, without senior management present, to discuss the internal audit, control and risk management functions (other than in relation to those matters for which the Audit and Risk Committee is responsible), and to review the Group's statement on internal control prior to endorsement by the Board;

2.1.13 to assist the Board to draw on the results of the on-going monitoring process to obtain sound, appropriately documented evidence to support the relevant statements and confirmations required from the Board in the annual report (and, in the case of (c) below, the half-yearly financial statements) including:

(a) that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;

(b) how the Board has assessed the prospects of the Group, over what period it has done so and why it considers that period to be appropriate;

(c) whether the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment; and

(d) the appropriateness of adopting the going concern basis of accounting in the financial statements and whether there are any material uncertainties to the Group's ability to continue to do so over a period of at least twelve months from the date of the approval of the financial statements;

2.1.14 to advise the Board on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment;

2.1.15 to oversee and advise the Board on the current risk exposures of the Group and future risk strategy and the steps taken to manage those risks;

2.1.16 to review the Group's capability to identify and manage new risk types;

2.1.17 to monitor and review the effectiveness of the Group's risk management and internal control systems, in particular the effectiveness and relative costs and benefit of particular controls;

2.1.18 to review the Group's procedures to manage or mitigate principal risks and to identify emerging risks, to assist in the board's assessment of principal and emerging risks;

2.1.19 to review and assess the Group's risk appetite and associated stress testing;

2.1.20 to evaluate the Group's principal risks, to be taken into account by the Board when assessing the Group's prospects;

2.1.21 to evaluate the appropriateness of the Group's values and culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Group;

2.1.22 to seek assurance on the risks the Group identifies as those to which the business may be exposed. The risks will be specific to the Group's circumstances but are likely to include the following:

- Strategic risk, including threats to the business model or future performance
- Reputational risk
- Regulatory and conduct risk
- Information security risk
- Operational risk
- Credit risk
- Market risk
- Transactional risk
- Capital
- Insolvency
- Liquidity
- Counterparty risk
- Material litigation
- Environmental, Social and Governance (ESG) issues
- Ethical codes
- Health and safety
- Pandemic risk
- Business continuity plans
- Duties under the Companies Act 2006

Other risks specific to the Group's sector and its operations need to be identified and may, for example, include:

- Insurance risk
- Credit limits
- Regulatory stress testing
- Risk exposures and limits
- Asset impairments
- Risk trends, concentrations and correlations
- Research and development
- Supply chains
- Terrorism
- Major accident

2.1.23 to advise the Board on the likelihood and the impact of principal risks materialising, and the management and mitigation of principal risks to reduce the likelihood of their incidence or their impact;

2.1.24 to advise the Board on the risk aspects of proposed changes to strategy and strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on implications for the risk appetite, tolerance and strategy of the Group, and taking independent external advice where appropriate and available.

Internal audit

2.1.25 where an internal audit function exists:

- (a) to ensure that there is open communication between the different functions and that the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its internal audit plan. The Audit and Risk Committee should ensure that the function has unrestricted scope, 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;
- (b) to approve the appointment and removal of the head of the internal audit function. Internal audit should have access to the Audit and Risk Committee and Board chair where necessary and the Audit and Risk Committee should ensure internal audit has a reporting line which enables it to be independent of the executive and so able to exercise independent judgement;
- (c) to review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;

- (d) to review and approve the annual internal audit plan to ensure it is aligned to the key notes of the business, and receive regular reports on work carried out;
- (e) to monitor and assess the role and effectiveness of the internal audit function in the overall context of the Group's risk management system and the work of compliance, finance and the external auditor;
- (f) to consider whether an independent third party review of processes is appropriate; and
- (g) to carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment: meet with the head of internal audit without the presence of management to discuss the effectiveness of the function; review and assess the annual internal audit work plan; receive a report on the results of the internal auditor's work; determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.

2.1.26 where an internal audit function has not been established, consider annually whether there is a need for one and make a recommendation to the Board.

Compliance, speaking-up and fraud

2.1.27 to review the adequacy and security of the Group's procedures by which employees, contractors and external parties may, in confidence, raise concerns about possible wrongdoing in matters of 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 follow up action;

2.1.28 to review the Group's procedures for preventing and detecting fraud;

2.1.29 to review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance;

2.1.30 to review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Group's anti-money laundering systems and controls; and

2.1.31 to review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Group's compliance function;

Recommendations, reports and actions

2.1.32 to have the chair of the Audit and Risk Committee report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and also report formally to the Board on how it has discharged its duties. This report shall include:

- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 2.1.4) and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process (required under paragraph 2.1.1(c)(viii)), how the committee has assessed auditor independence, the approach taken to the appointment or reappointment of the external auditor, the length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans;
- (c) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non audit services, having regard to matters communicated to it by the auditor;
- (d) the results of its risk management and internal compliance and control systems; and
- (e) any other issues on which the Board has requested Audit and Risk Committee's opinion;

2.1.33 in the compiling the reports referred to in paras. 2.1.32(a) and 2.1.32(e), to 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 Group is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information;

2.1.34 to consider the major findings of internal investigations and management's response;

2.1.35 to make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;

2.1.36 to prepare a report to shareholders on its activities and the Group's risk management and strategy to be included in the Group's annual report. The report should include an explanation of how the Audit and Risk Committee has addressed the effectiveness of the external audit process; 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 it by the auditor; and all other information requirements set out in the UK Corporate Governance Code;

2.1.37 to review the annual financial statements of the pension funds that were not reviewed by the Board as a whole;



2.1.38 to oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort;

2.1.39 to provide advice, where relevant, to the remuneration committee on any risk weightings to be applied to performance objectives incorporated in the incentive structure for executive remuneration and make recommendations to the remuneration committee on clawback provisions.

2.1.40 to consider other matters as referred to the Audit and Risk Committee by the Board.

3. Audit and Risk Committee Chair

3.1 The Audit and Risk Committee chair shall:

3.1.1 report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities;

3.1.2 attend the Group's annual general meeting prepared to answer any shareholders' questions; and

3.1.3 seek engagement with shareholders on significant matters related to the Audit and Risk Committee's areas of responsibility.

4. Audit and Risk Committee Secretary

4.1 The Audit and Risk Committee secretary shall:

4.1.1 minute the proceedings and resolutions of all meetings of the Audit and Risk Committee, including recording the names of those present and in attendance;

4.1.2 ascertain, at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly; and

4.1.3 agree the draft minutes of Audit and Risk Committee meetings with the Audit and Risk Committee chair and then promptly circulate such minutes to all members of the Audit and Risk Committee and, once agreed, to all members of the Board and the Group company secretary, unless a conflict of interest exists or it would be inappropriate to do so in the opinion of the Audit and Risk Committee chair.

5. Authorisations

5.1 The Audit and Risk Committee is authorised by the Board:

5.1.1 to undertake and investigate any activity within its terms of reference;

5.1.2 to obtain any information it requires from any employee of a Group and to call any employee to be questioned at a meeting of the Audit and Risk Committee as and when required

(and all employees are directed to co-operate with any request made by the Audit and Risk Committee);

5.1.3 to obtain, at the Group's expense, such independent, legal, accounting or other professional advice on any matter it deems necessary;

5.1.4 to secure the attendance of other persons at its meetings if it considers this necessary;

5.1.5 to delegate any matter or matters to another committee or person(s) as it deems appropriate; and

5.1.6 to have the right to publish in the Group's annual report details of any issues that cannot be resolved between the Audit and Risk Committee and the Board. If the Board has not accepted the Audit and Risk Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the Board has taken a different position.

6. Other matters

6.1 The Audit and Risk Committee shall:

6.1.1 have access to sufficient resources in order to carry out its duties, including access to the Group company secretariat for advice and assistance as required;

6.1.2 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;

6.1.3 give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code and published guidance, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;

6.1.4 oversee any investigation of activities which are within its terms of reference;

6.1.5 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 to different committees; and

6.1.6 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.