

Dated JULY 2017

ALTUS STRATEGIES PLC

Audit Committee's Terms of Reference



AUDIT COMMITTEE'S TERMS OF REFERENCE

of

ALTUS STRATEGIES PLC

(THE "COMPANY")

1. CONSTITUTION

The Audit Committee ("**Committee**") was constituted at a full meeting of the board of directors in accordance with the articles of association of the Company.

2. DUTIES AND TERMS OF REFERENCE

- 2.1 The Committee should have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate:

Financial Reporting

- 2.2 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor. The Committee shall also review significant financial returns to regulations and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 2.3 The Committee shall be responsible for reviewing the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors, or by the board of directors itself, to review the Company's internal control and risk management systems and review and approve, unless done so by the board of directors as a whole, the statements to be included in the annual report concerning internal controls and risk management.
- 2.4 The Committee shall review and challenge where necessary:
- (a) the application, the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company and its group;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

- (d) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
 - (e) all material information presented with the financial statements, such as the business review/operating and financial review and any corporate governance statement (insofar as it relates to the audit and risk management).
- 2.5 The Committee shall review the annual financial statements of the pension funds where not reviewed by the board of directors as a whole.
- 2.6 The Committee shall review any other statement requiring board approval which contain financial information first, where to carry 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 or Disclosure Guidance and Transparency Rules sourcebook.
- 2.7 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 of directors.

Financial Position and Prospects Procedures

- 2.8 The Committee shall, at least on an annual basis, review the Board Memorandum on Financial Position and Prospects Procedures and make changes and updates as appropriate.

Narrative Reporting

- 2.9 Where requested by the board, the Committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy 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

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

Whistleblowing, Compliance and Fraud

- 2.11 The Committee shall:

- (a) review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (d) review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (e) review regular reports and keep under review the adequacy and effectiveness of the Company's compliance function.

Internal Audit

2.12 The Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function;
- (c) consider and approve the remit of the internal audit function and ensure it has necessary resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards for internal auditors and ensure the function has adequate free standing and is free from management or other restrictions;
- (d) ensure the internal auditor has direct access to the chairman of the board of directors and the chairman of the Committee, providing independence from the executive and is accountable to the Committee;
- (e) review and assess the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
- (f) review periodically reports on the results from the internal auditor's work;
- (g) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (h) meet the head of internal audit at least once a year, without management being present meet the head of internal audit at least once a year, without management being present to discuss their remit and any issues arising from the internal audits carried out; and

- (i) monitor and review the effectiveness of the Company's internal audit function in the context of the overall risk management system and the work of compliance, finance and the external auditor.

External Audit

2.13 The Committee shall:

- (a) consider and make recommendations to the board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. If an external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and oversee the selection process and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process.
- (c) oversee the relationship with the external auditor including (but not limited to):
 - (i) recommendations on 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) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (iv) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the 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, then monitoring the implementation of this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical 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;
 - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
 - (ix) 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.
- 2.14 The Committee shall 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. Such meetings may occur by electronic conference or in person.
- 2.15 The Committee shall 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.
- 2.16 The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit,
 - (b) the auditor's explanation of how the risks to audit quality were addressed,
 - (c) any accounting and audit judgements,
 - (d) levels of errors identified during the audit, and
 - (e) the effectiveness of the audit.
- 2.17 The Committee shall review any representation letter(s) requested by the external auditor before they are signed by management.
- 2.18 The Committee shall review the management letter and management's response to the auditor's findings and recommendations.
- 2.19 The Committee shall 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.
- 2.20 The Committee shall develop and implement a 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.

Reporting Responsibilities

- 2.21 The chairman 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 of directors has requested the Committee's opinion.
- 2.22 The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 2.23 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 and all other information requirements set out in the UK Corporate Governance Code (insofar as it applies to the Company) and other relevant guidance.
- 2.24 In compiling the reports referred to in 2.17 and 2.18, 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 directors' 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.

Other Matters

- 2.25 The Committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
 - (b) be provided with appropriate and timely training if required, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - (c) give due consideration to applicable laws and regulations, the provisions of the UK Corporate Governance Code, the QCA Corporate Governance Guidelines for Small and Mid Sized Quoted Companies, and the requirements of the London Stock Exchange's rules for AIM companies as appropriate;

- (d) be responsible for co-ordination of the internal and external auditors;
- (e) oversee any investigation of activities which are within its terms of reference;
- (f) 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;
- (g) work and liaise as necessary with all other board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- (h) to consider such other matters as may be requested by the board of directors.

3. MEMBERSHIP

- 3.1 The members of the Committee shall be appointed by the board of directors, in consultation with the chairman of the Committee. All of the members of the Committee should be non-executive directors.
- 3.2 The Committee should have at least two 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, and where possible, one member of the remuneration committee. The chairman of the Committee should be a non-executive director with recent and relevant financial experience.
- 3.3 At the date of formation of the Committee, it has been agreed that the members of the Committee will be Robert Milroy and David Netherway and the Committee shall be chaired by Robert Milroy. A quorum shall be any two members of the Committee.
- 3.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the chairman of the Committee continues to remain independent.
- 3.5 Care should be taken to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. Where possible, the chairman and members of the Committee should be rotated on a regular basis.

4. VOTING ARRANGEMENTS

- 4.1 Each member of the 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 Committee.
- 4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

4.3 Save where he has a personal interest, the chairman of the Committee will have a casting vote.

5. ATTENDANCE AT MEETINGS

5.1 The Committee will meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and as otherwise required. The Committee may meet at other times during the year as agreed between the members of the Committee or as required.

5.2 Outside of the formal meeting programme, the Committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board, chief executive, chief financial officer and the external audit lead.

5.3 Only members of the Committee have the right to attend Committee meetings. Other directors including the chief financial officer and other individuals may be invited to attend all or part of any meeting as and when appropriate.

5.4 In the absence of the chairman of the Committee and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

5.5 The Company's external auditors may be required to attend Committee meetings on a regular basis and at least once per annum there should be a private meeting with the external auditors with a view to consulting the Committee without the presence of any of the executive directors of the Company.

5.6 The Company Secretary or his or her nominee shall be the 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.

5.7 The secretary of the Committee or his/her delegate shall attend meetings of the Committee to take minutes.

6. NOTICE OF MEETINGS

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of the external or internal auditors 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 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.

6.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

6.4 Any member of the Committee shall be entitled, by notice to the secretary of the Committee, to include other matters relevant to the functions of the Committee in the agenda of a Committee meeting.

6.5 Meetings of the Committee including those with the external auditor may be conducted when the members are physically present or in the form of either video or audio conferences.

7. AUTHORITY

7.1 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.

7.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The relevant member of the Committee shall not be counted towards the quorum and he/she must abstain from voting on any resolution of the Committee in which he/she and/or his/her associates have a material interest.

7.3 The Committee is authorised by the board of directors 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, independent legal, accounting or other professional advice on any matter within its believes it is necessary to do so. 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. 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.

8. REPORTING

8.1 The proceedings and resolutions of meetings of the Committee, including the names of those present and in attendance, shall be minuted. The minutes should also include any concerns raised by any member of the Committee and/or dissenting views expressed. Draft minutes of each meeting will be circulated promptly to all members of the Committee. Once approved, the minutes of each meeting will be circulated to all other members of the board of directors unless it would be inappropriate to do so in the opinion of the Committee chairman.

8.2 Minutes of the Committee meetings shall be kept by the secretary of the Committee and shall be available for inspection by any member of the Committee or director of the Company at any reasonable time on reasonable notice.

9. GENERAL MATTERS

9.1 The chairman 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. If the chairman of the Committee is unable to attend, a member of the Committee shall attend the Annual General Meeting of the Company. Such person shall be prepared to respond to any shareholder questions on the Committee's activities.

9.2 The recommendations of the Committee minutes must be approved by the board of directors before they can be implemented.