



# Audit Committee Terms of Reference

February 2023

Document Owner	Document Approver
General Counsel and Company Secretary	Venterra Group PLC Board of Directors

## 1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three members.
- 1.2 All members of the Committee shall be independent Non-executive Directors at least one of whom shall have recent and relevant financial experience, with competence in accounting and/or auditing. The Chairman of the Board shall not be a member of the Committee but will be invited to attend any and all meetings.
- 1.3 For the time being the make-up of the Committee shall be:
  - a) Duncan Palmer – Chairman;
  - b) Charles Holliday Jr; and
  - c) Alex Krueger
- 1.4 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Executive Chairman, Chief Executive Officer, Chief Financial Officer, other Directors, along with other representatives from the finance, legal and risk functions may be invited to attend all or part of any meeting, as and when appropriate.
- 1.5 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.6 Appointments to the Committee shall be evergreen until changed by the Board.
- 1.7 The Board shall appoint the Committee Chairman who shall be an independent Non-executive Director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

## 2. Secretary

- 2.1 The Secretary to the Board or their nominee shall act as 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 the issues.

## 3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members. 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.

## 4. Frequency of Meetings

- 4.1 The Committee shall meet at least four times a year at appropriate times in the board meeting, reporting and audit cycle, and otherwise as required. Additional meetings may be convened at the request of the Committee Chairman.
- 4.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company’s governance, including the Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, the external Audit Partner, and the General Counsel and Company Secretary.

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## 5. Notice of Meetings

- 5.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of the Committee Chairman.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded in electronic form to each member of the Committee, any other person required to attend and all other Directors, no later than five working days before the date of the meeting. Relevant supporting papers shall be sent to Committee members and to other attendees as appropriate, in good time for prior review by committee members.

## 6. Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee and once agreed, to all members of the Board, unless in the opinion of the Committee Chairman it would be inappropriate to do so.

## 7. Annual General Meeting

- 7.1 The Committee Chairman shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities.

## 8. Duties

The Committee has oversight of the Group as a whole and, unless required otherwise by regulation, performs the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate:

### 8.1 Financial Reporting

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual reports, dividend proposals and any other publications relating to its financial performance, reviewing and reporting to the Board significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to any competent authority and any financial information contained in certain other shareholder documents, having regard to matters communicated to it by the auditor.
- 8.1.2 The Committee shall review and challenge where necessary:
  - a) the application of, and any changes to, significant accounting policies both on a year-on-year basis and across the Company/Group;
  - b) the methods used to account for significant or unusual transactions where different approaches are possible;
  - c) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;

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- d) the clarity and completeness 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, including the strategic report and the corporate governance statement relating to the audit and to risk management.

8.1.3 The Committee shall review any other statements 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.

8.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

**8.2 Narrative Reporting**

8.2.1 The Committee should review the content of the annual report and accounts and determine 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. If so determined, the Committee should reach a resolution to this effect and inform the Board accordingly.

**8.3 Internal Controls and Risk Management Systems**

8.3.1 The Committee works together with the Board and the other Board Committees to monitor and review the effectiveness of the Group’s risk management and internal control framework.

8.3.2 The Committee will regularly, and least annually:

- a) assess the Company’s approach to determining the Company’s overall risk appetite, tolerance and strategy, taking account of the current and prospective macro-economic and financial environment;
- b) assess and evaluate the principal risk exposures of the Company and risk mitigation strategies;
- c) assess the emerging risk exposures of the Company, informing the Board accordingly;
- d) keep under review the Company’s overall risk assessment processes that inform the Board’s decision making, ensuring both qualitative and quantitative metrics are used;
- e) keep under review the Company’s risk transfer strategy for the sharing of risk with the insurance market;
- f) keep under review the risk management systems and reporting processes for projects and investments; and
- g) Keep under review the Company’s balance sheet strategy, indebtedness and capital allocation plans.

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8.3.3 The Committee shall:

- a) keep under review the adequacy and effectiveness of the Company’s internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- b) review the Company’s treasury policies, material unbudgeted capital or operating expenditures outside predetermine tolerances;
- c) assess the effectiveness of the Company’s compliance system standards and procedures for the management of the Company’s enterprise risks; and
- d) review the statements to be included in the annual report concerning internal control and risk management, including the assessment of principal risks and emerging risks, and the viability statement.

**8.4 Internal Audit**

8.4.1 The Committee shall consider, and if appropriate, approve the development and implementation of an Internal Audit function, at which time it shall determine the nature of such function and approve the appointment of relevant parties accordingly.

**8.5 External Audit**

The Committee shall:

- 8.5.1 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;
- 8.5.2 develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 8.5.3 if an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.5.4 oversee the relationship with the external auditor including (but not limited to):
  - a) approval of their remuneration, including both fees for audit and non-audit services and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- 8.5.5 assessing annually the external auditor’s independence and objectivity taking into account relevant UK law, regulation, the FRC’s Revised Ethical Standard (published December 2019 and any subsequent erratum and/or revisions) (the “Ethical Standard”), and other professional requirements and the Group’s relationship with the auditor as a whole, including any threats to the auditor’s independence and the safeguards applied to mitigate those threats including the provision of any non-auditor services;

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- 8.5.6 satisfy 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;
- 8.5.7 ensure that the employment of any former employee of the Company's auditor has the prior approval of the Committee;
- 8.5.8 satisfy itself that the Company's auditor confirms their independence, compliance with relevant UK law, regulation, other professional requirements, and the Ethical Standard, including the guidance on the rotation of audit partner and staff. The auditor should also report to the Committee as to how their internal processes work to ensure this;
- 8.5.9 monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance, and the Ethical Standard;
- 8.5.10 assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 8.5.11 seek to ensure co-ordination of the external audit with the activities of the internal audit function;
- 8.5.12 evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee;
- 8.5.13 review and recommend to the Board the Company's formal policy on the provision 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;
  - a) threats to the independence and objectivity of the external auditor and any safeguards in place;
  - b) the nature of the non-audit services;
  - c) whether the external audit firm is the most suitable supplier of the non-audit services;
  - d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - e) the criteria governing compensation.
- 8.5.14 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;
- 8.5.15 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;
- 8.5.16 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

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- 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) key accounting and audit judgements;
- d) the auditors’ view of their interaction with senior management; and
- e) levels of errors identified during the audit.

8.5.17 review any representation letter(s) requested by the external auditor before they are signed by management;

8.5.18 review the management letter and management’s response to the auditor’s findings and recommendations; and

8.5.19 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.

**9. Reporting Responsibilities**

9.1 The Committee Chairman 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:

9.1.1 the significant issues that are considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;

9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.5.10), and the approach taken to the appointment or reappointment of the external auditor;

9.1.3 any other issue on which the Board has requested the Committee’s opinion.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The Committee shall compile a report to shareholders on its activities to be included in the Company’s annual report. The report should describe the work of the Committee, including:

9.3.1 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;

9.3.2 an explanation of how the Committee has addressed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor; and

9.3.3 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.

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9.4 In compiling the report referred to in 9.1 and 9.3, 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’s assessment of whether the Company 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-reference to that information.:

**10. Other**

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- 10.2 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;
- 10.3 give due consideration to all relevant laws, regulations and any other applicable rules, as appropriate;
- 10.4 oversee any investigation of activities which are within its terms of reference;
- 10.5 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
- 10.6 arrange for periodic reviews of its own independence, performance, risk oversight effectiveness and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considered necessary to the Board for approval.

**11. Authority**

The Committee is authorised to:

- 11.1 seek any information it requires from any employee of the Company in order to perform its duties;
- 11.2 obtain, at the Company’s expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 11.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.4 have the right to publish in the Company’s annual report, details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the 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.

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## 12 Change History

Date	Version	Changes
08/02/2023	0	Draft, reviewed by the Board
14/02/2023	1	Approved for Use

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