

IP Group plc - Audit & Risk Committee Terms of Reference

References to the “**Committee**” shall mean the Audit & Risk Committee.

References to the “**Board**” shall mean the Board of Directors.

1. Membership

- 1.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair.
- 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 and with competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Chief Executive Officer, Chief Financial and Operating Officer, other directors, the heads of risk, compliance and internal audit (to the extent these positions exist within the Group) and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for a maximum of two further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 1.6 The Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.7 If a regular member is unable to act due to absence, illness or any other cause, the Chair may appoint another independent non-executive director of the Company to serve as an alternate member.
- 1.8 Where the business of the Committee meeting includes the review of actual or potential conflicts of interest of, and authorisations given by the Board to members of the Committee, the affected member shall not participate in the review or in discussions or decisions of the Committee which relate to that member (and shall not be counted in the quorum of the meeting for the purpose of any such review, discussions or decisions).
- 1.9 The Committee Chair shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

2. Secretary

- 2.1 The Company Secretary 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 issues.
- 2.2 The Company Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members present in person or by audio or video conference, one of whom shall have recent and relevant financial experience other than in exceptional circumstances. 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 reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee Chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

5. Notice of meetings

- 5.1 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 Chief Financial Officer, external or internal auditor if they consider it necessary. The agenda for the meetings will be determined by the Committee Chair, taking into account the views of other members of the Committee as appropriate.
- 5.2 Unless otherwise agreed by the 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 Committee, any other person required to attend and all other non-executive directors, no later than three working days before the date of the meeting.
- 5.3 Supporting papers shall be sent to Committee members 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.

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 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.

7. Annual General Meeting

- 7.1 The Chair should attend the annual general meeting and be available to answer shareholder questions on the Committee's activities.

8. Duties

The Committee shall carry out 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 and half-yearly reports, and any other formal announcement relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the external auditor.
- 8.1.2 In particular, the Committee shall review and challenge where necessary –
 - 8.1.2.1 the application, consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
 - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 8.1.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made;
 - 8.1.2.5 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 looking forward over an appropriate and justified period); and
 - 8.1.2.6 all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management); and
 - 8.1.2.7 any other statements requiring Board approval which contain financial information to ensure compliance with relevant UK legal and regulatory requirements and financial reporting standards.

- 8.1.3. 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 Where requested by the Board, the Committee shall review the content of the annual report and accounts, including any climate-related and other non-financial disclosures, 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 position and performance, business model and strategy, and whether it informs the Board's statement in the annual report on these matters that are required under the UK Corporate Governance Code (the "Code") and associated guidance.

8.3 Internal controls and risk management systems

The Committee shall:

8.3.1 Risk management

- 8.3.1.1 On behalf of the Board (which retains overall responsibility for risk management), review and monitor the Company's risk management systems, including, but not limited to financial risk management, and, at least annually, carry out a review of its effectiveness, and review and approve the statement to be included in the annual report concerning risk management.
- 8.3.1.2 on behalf of the Board (which retains overall responsibility for risk appetite, tolerance and strategy), ensure that a robust assessment of the principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the likelihood and impact of principal risks materialising, and the management and mitigation of those risks to reduce the likelihood of their incidence or their impact.

8.3.2 Ongoing viability

provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary.

8.3.3 Internal controls, management assurance reports and internal and external audit reports

- 8.3.3.1 review the Company's internal financial controls and internal control systems and, at least annually, carry out a review of its effectiveness, including, but not limited to, the reviews contemplated by paragraphs 8.3.3.3 and 8.3.3.4 below.
- 8.3.3.2 approve the statement to be included in the Group's annual report concerning its internal controls.
- 8.3.3.3 review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control.
- 8.3.3.4 review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation.

8.3.4 Disclosures

- 8.3.4.1 consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts.
- 8.3.4.2 consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.

8.4 Compliance, speaking up and fraud

The Committee shall:

- 8.4.1 review and confirm to the Board the adequacy and security of the Company's arrangements for its employees and contractors to speak up and raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, ensuring that reports arising from the operation of those arrangements

follow a proportionate and independent investigation process, and make recommendations to the Board in respect of any changes or improvements to such arrangements;

- 8.4.2 review the Company's procedures for detecting fraud;
- 8.4.3 review the Company's systems and controls for ensuring ethical behaviour and the prevention of bribery and receive reports on non-compliance;
- 8.4.4 review the adequacy and effectiveness of the Company's Anti-Money Laundering systems and controls in operation and those within any regulated subsidiary, including receiving regular reports from the Money Laundering Reporting Officer or equivalents; and
- 8.4.5 review periodic reports on the regulated businesses across the Group and review the adequacy and effectiveness of the compliance arrangements in place for those entities.

8.5 Internal audit

The Committee shall:

formally consider on an annual basis whether a separate internal audit function is required for the Group (which may be employed in-house or outsourced, as may be considered appropriate), make a recommendation to the Board accordingly and explain the reasons for the absence of such a function to the Board for disclosure in the annual report. The Committee shall assess whether the processes applied by management to ensure that the internal controls systems are functioning as intended provide sufficient and objective assurance.

8.6 External Audit

The Committee shall:

- 8.6.1 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. The Committee shall develop and oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.6.2 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, in respect of such tender, oversee the selection criteria and process and ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process, and that all tenders are given fair and objective consideration;
- 8.6.3 oversee the relationship with the external auditor including (but not limited to):
 - 8.6.3.1 recommendations on their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 8.6.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.6.3.3 assessing annually their independence and objectivity taking into account relevant UK law, professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, and the provision of any non-audit services;
 - 8.6.3.4 seek reassurance from the auditor and their staff 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) that could adversely affect the auditor's independence and objectivity and, at least annually, seek information from the external audit firm about policies and procedures for maintaining independence and monitoring compliance;
 - 8.6.3.5 agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - 8.6.3.6 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; and
 - 8.6.3.7 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 8.6.4 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- 8.6.5 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit, and invite challenge by the external auditor, giving due consideration to points raised and making changes to financial statements in response where appropriate;
- 8.6.6 review the findings of the audit with the external auditor and review the external auditor's report to the directors and any management letter, including management's response to the auditor's findings and recommendations. This shall include but not be limited to, the following:
 - 8.6.6.1 a discussion of any major issues which arose during the audit;
 - 8.6.6.2 the auditor's explanation of how the risks to audit quality were addressed;
 - 8.6.6.3 any accounting and audit judgements;
 - 8.6.6.4 the auditor's view of their interactions with senior management; and
 - 8.6.6.5 levels of errors identified during the audit;
- 8.6.7 At the end of the audit cycle, assess the effectiveness of the audit process, including:
 - 8.6.7.1 Reviewing whether the auditor has met the agreed audit plan;
 - 8.6.7.2 Understanding reasons for any changes made to the audit plan;
 - 8.6.7.3 Considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions;
 - 8.6.7.4 Obtaining feedback from key people on the conduct of the audit; and
 - 8.6.7.5 Reporting to the Board on the effectiveness of the audit process.

The Committee shall also:

- 8.6.8 review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;
- 8.6.9 review the management letter and management's response to the auditor's findings and recommendations;
- 8.6.10 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter, 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:
 - 8.6.10.1 threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 8.6.10.2 the nature of the non-audit services;
 - 8.6.10.3 whether the external audit firm is the most suitable supplier of the non-audit service;
 - 8.6.10.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 8.6.10.5 the criteria governing compensation; and
- 8.6.11 require that the Company manages its non-audit relationships with audit firms to ensure that it has a fair choice of suitable external auditors at the next tender and in light of the need for greater market diversity and any market opening measures which may be introduced.

9. Reporting responsibilities

- 9.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
 - 9.1.1 the significant issues that it 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 8.6.3.6), the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and

- 9.1.3 any other issues 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 produce a report to shareholders on its activities to be included in the Company's annual report, which shall include:
- 9.3.1 Details of the membership of the Committee, number of meetings held and attendance over the course of the year.
 - 9.3.2 A summary of the role and work of the Committee.
 - 9.3.3 How the Committee composition requirements have been addressed, and the names and qualifications of all members of the Committee during the period, if not provided elsewhere.
 - 9.3.4 How the Committee's performance evaluation has been conducted.
 - 9.3.5 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 external auditor.
 - 9.3.6 Confirmation that the Board has carried out a robust assessment of the principal and emerging risks facing the Company, a description of those risks, the procedures in place to identify emerging risks and an explanation as to how they are being managed and mitigated.
 - 9.3.7 An explanation of its assessment of the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company and the Group, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or reappointment of the external auditor, including length of incumbent auditor's tenure, when a tender was last conducted and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services.
 - 9.3.8 An explanation of how the Committee has addressed the effectiveness of the internal audit process.
 - 9.3.9 If relevant in any particular year, an explanation of how the Committee has met the requirements of the FRC's "Audit Committees and External Audit: Minimum Standard".
 - 9.3.10 All other information requirements set out in the Code where required to be reported on by the Committee.
 - 9.3.11 Any other information on which the Board has requested the Committee's opinion.
- 9.4 In compiling the above report, the Committee shall 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 Company is a going concern and the longer term viability statement.
- 9.5 If the Board does not accept the Committee's recommendation regarding the appointment, reappointment or removal of the external auditors, the report shall include a statement explaining the Committee's recommendation and reasons why the board has taken a different stance in the annual report referred to in paragraph 9.3.
- 9.6 The Committee shall make these terms of reference available to shareholders by placing them on the Company's website.

10. Other matters

- 10.1 The Committee shall:
- 10.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
 - 10.1.2 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;
 - 10.1.3 give due consideration to laws and regulations, the provisions of the Code and its associated guidance, and the requirements of the FCA's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
 - 10.1.4 give due consideration to the FRC's "Audit Committees and External Audit: Minimum Standard" as amended from time to time;
 - 10.1.5 be responsible for co-ordination of the internal and external auditors, when applicable;
 - 10.1.6 oversee any investigation of activities which are within these Terms of Reference;

- 10.1.7 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
- 10.1.8 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.

11. Authority

- 11.1 The Committee is authorised by the Board:
 - 11.1.1 to review any activity within the business relating to the duties of the Committee;
 - 11.1.2 to seek any information it requires from any employee of the Company in order to perform its duties;
 - 11.1.3 to obtain, at the Company's expense, independent legal or other professional advice on any matter within its terms of reference;
 - 11.1.4 to call any employee to be questioned at a meeting of the Committee as and when required; and
 - 11.1.5 to 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.

APPROVED BY THE BOARD 5 March 2024

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