



AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

PROCOOK GROUP PLC (the “Company”)

Amended by resolution of the board of directors of the Company (the “Board”) passed on 18 January 2023

In this document, references to the “Group” are to the Company and its subsidiaries (if any).

1. PURPOSE

The purpose of the Audit and Risk Committee (the “Committee”) is to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles set out in the UK Corporate Governance Code (the “Code”) and reviewing and maintaining the Group’s financial reporting and internal control and risk management systems, to advise the Board on the Group’s risk strategy, policies and potential exposures and to maintain an appropriate relationship with the Company’s auditors.

2. CONSTITUTION AND MEMBERSHIP

2.1 The Committee has been established as a committee of the Board by resolution of the Board.

2.2 The members of the Committee will be appointed by the Board, on the recommendation of the nomination committee and in consultation with the chair of the audit committee and the following paragraphs will govern the constitution of the Committee:

2.2.1 the Committee will comprise at least two members, all of whom will be independent non-executive directors;

2.2.2 the Chair of the Company will not be a member of the Committee;

2.2.3 at least one member of the Committee should have recent and relevant financial experience with competence in accounting and/or auditing; and

2.2.4 the Committee as a whole must have competence relevant to the sector in which the Company operates.

2.3 The chair of the Committee will be appointed by the Board, on the recommendation of the nomination committee. In the absence of the chair of the Committee, the members present will select one of their number present to chair the meeting.

2.4 Appointments to the Committee will be for a period of up to three years, which may be extended by no more than two further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

2.5 The Company Secretary will 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. Where the Company Secretary is also an executive director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive directors being present.

3. **ATTENDANCE**

- 3.1 Only members of the Committee have the right to attend Committee meetings.
- 3.2 The Committee will invite a representative of the external auditors to attend meetings of the Committee on a regular basis. The Committee should have at least one meeting, or part of a meeting, with the external auditors without management being present.
- 3.3 The Committee may request the Chair of the Company, the Chief Executive Officer, the Chief Financial Officer, other directors, the heads of risk, compliance and internal audit, representatives from the finance function, any relevant senior management and any other persons the Committee thinks fit to attend meetings of the Committee, either regularly or by invitation, but such invitees have no right of attendance.
- 3.4 The Committee will meet the head of internal audit at least once a year without management being present. In addition, the head of the internal audit function will have the right of direct access to the chair of the Committee.

4. **MEETINGS**

- 4.1 The Committee will meet at least three times each year, having regard to the Company's financial reporting and audit cycle, and at such other times as the chair of the Committee thinks fit.
- 4.2 Meetings of the Committee will be arranged to tie in with the publication of the Company's financial statements. Meetings should be held at least five working days prior to any Board meeting at which accounts or financial statements are to be approved, unless all the members of the Committee agree otherwise.
- 4.3 Meetings of the Committee will be called by the Secretary of the Committee at the request of the chair of the Committee, or at the request of external or internal auditors if they consider it necessary.
- 4.4 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda and all relevant papers, should normally be circulated to each member of the Committee, and to any other person as may be requested by the Committee, at least five working days prior to the date of the meeting.
- 4.5 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 4.6 The quorum for meetings of the Committee will be two members, at least one of whom has recent and relevant financial experience.
- 4.7 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, the chair of the Committee will have a second or casting vote.

5. **REPORTING**

- 5.1 Sufficient time should be allowed after Committee meetings for the Committee to report to the Board on the nature and content of discussion, on recommendations, and on actions to be taken. The secretary of the Committee will minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance, and will ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. Draft minutes of Committee meetings will be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, and to the Company Secretary unless it would be inappropriate to do so.
- 5.2 The chair of the Committee will report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and will also formally report on how it has discharged its responsibilities. This report will include:

- 5.2.1 the significant issues that it considered in relation to the financial statements (required under **paragraph 6.1.1**) and how these were addressed;



- 5.2.2 its assessment of the effectiveness of the external audit process (required under **paragraph 6.6**) and its recommendation on the appointment or reappointment of the external auditor; and
- 5.2.3 any other issue on which the Board had requested the Committee's opinion.
- 5.3 The Committee will make whatever recommendations to the Board that it deems appropriate on an area within its remit where action or improvement is needed.
- 5.4 The Committee will prepare a report on its activities to be included in the Company's annual report and accounts.
- 5.5 The report will include an explanation of how the Committee has addressed:
 - 5.5.1 the effectiveness of the external audit process;
 - 5.5.2 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
 - 5.5.3 all other information requirements set out in the Code.
- 5.6 In compiling the reports referred to in **paragraphs 5.2** and **5.4**, 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-references to that information.
- 5.7 The chair of the Committee should be present at the Company's AGM to respond to questions on matters within the responsibility of the Committee. In addition, the chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's area of responsibility.
- 5.8 The Committee will provide advice to the remuneration committee of the Board 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.

6. DUTIES OF THE COMMITTEE

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

6.1 Financial reporting

- 6.1.1 The Committee will monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements contained in them having regard to matters communicated to it by the auditor.
- 6.1.2 In particular, the Committee will review and challenge where necessary:
 - 6.1.2.1 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;
 - 6.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

- 6.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 6.1.2.4 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
 - 6.1.2.5 all material information presented with the financial statements, such as the strategic report and the corporate governance statement relating to the audit and to risk management.
- 6.1.3 The Committee will 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 including the Listing Rules, Prospectus Regulation Rules or Disclosure Guidance and Transparency Rules sourcebook.
- 6.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company it will report its views to the Board.

6.2 **Narrative reporting - financial**

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 position and performance, business model and strategy, and whether it informs the Board's statement in the annual report on these matters that is required by the Code.

6.3 **Internal control and risk assessment systems**

The Committee will:

- 6.3.1 keep under review the adequacy and effectiveness of the Company's internal financial reporting and internal control policies and systems, covering all material controls, including financial, operational and compliance controls, and the Company's procedures for the identification, assessment, management and reporting of risks; and
- 6.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management and the viability statement.

6.4 **Compliance, whistleblowing and fraud**

The Committee will:

- 6.4.1 review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 6.4.2 review the Company's procedures for detecting fraud;
- 6.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;

6.4.4 review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and

6.4.5 keep under review the adequacy and effectiveness of the Company's compliance function.

6.5 Internal audit

The Committee will:

6.5.1 approve the appointment or termination of appointment of the head of the internal audit function;

6.5.2 review and approve the remit of the internal audit function and ensure it has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with the appropriate professional standards for internal auditors;

6.5.3 review and approve 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;

6.5.4 ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;

6.5.5 ensure that the internal auditor has direct access to the chair of the Board and to the chair of the Committee and is accountable to the Committee;

6.5.6 carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment:

6.5.6.1 meet the head of internal audit at least once a year, without management being present;

6.5.6.2 review and assess the annual internal audit plan;

6.5.6.3 receive a report on the results of the internal auditor's work;

6.5.6.4 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and

6.5.6.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;

6.5.7 monitor and assess the role and effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and the work of compliance, finance and external auditor; and

6.5.8 consider whether an independent, third party review of processes is appropriate.

6.6 External audit

The Committee will:

- 6.6.1 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;
- 6.6.2 ensure that at least once every ten years the audit services contract is put out to tender and in respect of such tender, it will oversee the selection process and ensure all tendering firms have such access as is necessary to information and individuals during the tendering process;
- 6.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 6.6.4 oversee the relationship with the external auditor including (but not limited to):
 - 6.6.4.1 approval of their remuneration, whether 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; and
 - 6.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 6.6.5 assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, 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-audit services;
- 6.6.6 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;
- 6.6.7 agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy;
- 6.6.8 monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 6.6.9 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 those in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- 6.6.10 assess annually the qualifications, expertise and resources, and independence of the auditor and the effectiveness of the audit process, which will include a report from the external auditor on their own internal quality procedures;
- 6.6.11 seek to ensure co-ordination with the activities of the internal audit function;

- 6.6.12 evaluate the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of withdrawal of their auditor from the market in that evaluation;
- 6.6.13 develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the 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:
 - 6.6.13.1 threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 6.6.13.2 the nature of the non-audit services;
 - 6.6.13.3 whether the external audit firm is the most suitable supplier of the non-audit service;
 - 6.6.13.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 6.6.13.5 the criteria governing compensation;
- 6.6.14 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 will 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;
- 6.6.15 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, having regard to seniority, expertise and experience of the audit team; and
- 6.6.16 review the findings of the audit with the external auditor. This will include but not be limited to, the following:
 - 6.6.16.1 a discussion of any major issues which arose during the audit;
 - 6.6.16.2 the auditor's explanation of how risks to audit quality were addressed;
 - 6.6.16.3 key accounting and audit judgements;
 - 6.6.16.4 the auditor's view of their interactions with senior management; and
 - 6.6.16.5 levels of errors identified during the audit.

The Committee will also:

- 6.6.17 review any representation letter(s) requested by the external auditor before they are signed by management;
- 6.6.18 review the management letter and management's response to the auditor's findings and recommendations; and

- 6.6.19 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.

6.7 **Risk appetite, tolerance and strategy**

The Committee will:

- 6.7.1 advise the Board on the Company's overall risk appetite, tolerance and strategy, and the principal and emerging risks the Company is willing to take in order to achieve its long-term strategic objectives;
- 6.7.2 seek assurance on the risks the Company identifies as those to which the business may be exposed;
- 6.7.3 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; and
- 6.7.4 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 Company and taking independent external advice, where appropriate and available.

6.8 **Narrative reporting - risk**

The Committee will:

- 6.8.1 monitor and review the effectiveness of the Company's risk management and internal control systems;
- 6.8.2 review the Company'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;
- 6.8.3 review and assess the Company's risk appetite and associated stress testing;
- 6.8.4 evaluate the Company's principal risks, to be taken into account by the Board when assessing the Company's prospects; and
- 6.8.5 review and approve the statements to be included in the Company's annual report concerning internal controls and risk management.

6.9 **Internal controls and risk management systems**

The Committee will oversee and seek suitable assurance regarding:

- 6.9.1 the risk exposures of the Company, including risk to the Company's business model and solvency and liquidity risks;
- 6.9.2 the adequacy and effectiveness of the Company's processes and procedures to manage risk and the internal control framework, including the design, implementation and effectiveness of those systems;



- 6.9.3 the ability of the Company's risk management and internal control systems to identify the risks facing the Company and enable a robust assessment of principal risks;
- 6.9.4 the Company's capability to identify and manage new and emerging risks;
- 6.9.5 the effectiveness and relative costs and benefit of particular controls;
- 6.9.6 the effectiveness of management's processes for monitoring and reviewing the effectiveness of risk management and internal control systems and ensuring corrective action is taken, when necessary;
- 6.9.7 the Company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise;
- 6.9.8 the appropriateness of the Company'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 Company; and
- 6.9.9 the risk manager's right of direct access to the chair of the Board and to the Committee.

7. **OTHER MATTERS**

The Committee will:

- 7.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance, as required;
- 7.2 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;
- 7.3 give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- 7.4 be responsible for co-ordination of the internal and external auditors;
- 7.5 oversee any investigation of activities which are within its terms of reference;
- 7.6 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
- 7.7 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.

8. **AUTHORITY**

The Committee is authorised to:

- 8.1 seek any information it requires from any employees or officers of the Company in order to perform its duties;

- 8.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 8.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 8.4 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.

These terms of reference were amended by resolution of the Board passed on 18 January 2023.