**GENUS PLC**

**AUDIT & RISK COMMITTEE – TERMS OF REFERENCE**

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*Note: Reference to "the Committee" shall mean the Audit & Risk Committee.*
*Reference to "the Board" shall mean the Board of Directors.*
*Reference to "the Code" shall mean the UK Corporate Governance Code.*

## 1. Role

1.1. The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

a) The integrity of the financial and narrative statements and other financial information provided to shareholders;
b) The Company's risk management and internal control framework;
c) The internal and external audit process and auditors; and
d) The processes for compliance with laws, regulations, ethical codes of practice, the Code, FRC guidance and the FRC Audit Committees and the External Audit: Minimum Standard.

## 2. Membership

2.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Audit & Risk Committee. The Committee shall be made up of at least three members.

2.2. 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.

2.3. Only members of the Committee have the right to attend Committee meetings. The Committee will ask the Group Finance Director, Group Finance Controller and the Head of Risk Management and Internal Audit to attend meetings on a regular basis and may ask the Chairman of the Board, Chief Executive, representatives of the external auditors, any relevant senior management and any other non-members to attend meetings either regularly or by invitation.

2.4. The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy at a duly constituted meeting, the remaining

members present shall elect one of themselves to chair the meeting.

2.5. The Company Secretary or his or her 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.

## 3. Quorum

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

## 4. Meetings

4.1. The Committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.

4.2. Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Chief Executive, the Group Finance Director, the external audit lead partner and the Head of Risk Management and Internal Audit.

4.3. The Committee shall have the right to meet with the external auditors without the presence of the other members of the Board.

4.4. Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members, by reasonable prior notice to all members. External auditors or internal auditors may request a meeting if they consider one is necessary.

4.5. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance and the existence of any conflicts of interest.

4.6. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chair.

4.7. The Committee Chair shall attend the Annual General Meeting prepared to respond to shareholder questions.

## 5. Narrative Reporting

5.1. 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 Code.

## 6. Duties

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Company, subsidiary undertakings and the Group as a whole, as appropriate.

### 6.1. Financial Reporting

6.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which these statements contain, having regard to matters communicated to it by the auditor.

6.1.2. In particular, the Committee shall review and challenge where necessary:

a) the application of significant accounting policies and any changes to them;

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;

d) the clarity and completeness of disclosure in the Company's 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) the going concern assumption.

6.1.3. 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 including the Listing 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 shall report its views to the Board.

## 6.2. Risk Management and Internal Control Framework

The Committee shall:

6.2.1. review and monitor the Company's risk management and internal control framework (covering all material controls, including financial, operational, reporting and compliance controls);

6.2.2. review at least annually periodic reports from management identifying the Group's material business risks and the effectiveness of any risk management systems and other internal control and risk management systems including the work of finance, compliance, internal and external auditors;

6.2.3. consider whether the Group has adequate internal controls over risk and whether there are clear procedures and triggers in place to elevate emerging risks to the Board quickly; and

6.2.4. review and approve the statements to be included in the annual report concerning the risk management and internal control framework and the viability statement.

## 6.3 Compliance, Whistle-blowing and Fraud

The Committee shall:

6.3.1. review on behalf of the Board 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, including reporting of relevant findings to the Board;

6.3.2. review the Company's procedures for detecting fraud. All matters concerning fraud against the Company shall be reported to the Committee; and

6.3.3. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

## 6.4 Internal Audit

The Committee shall:

6.4.1. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;

6.4.2. oversee the appointment and approve the removal of the head of the internal audit function;

6.4.3. review and approve the role of the internal audit function and annually approve the internal audit charter ensuring it is appropriate for the current needs of the Committee;

6.4.4. ensure internal audit has unrestricted scope, the necessary resources and appropriate access to information to enable it to perform its function effectively, 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. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

6.4.5. ensure the internal auditor has direct access to the Board Chairman and to the Committee Chair, providing independence from executive management and direct accountability to the Committee;

6.4.6. receive and review, assess and approve the annual internal audit plan to ensure it is aligned to the key risks of the business;

6.4.7. review reports on the results of the internal auditor's work on a periodic basis;

6.4.8. review and monitor management's responsiveness to the findings and recommendations of the internal auditor;

6.4.9. 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 to monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee; and

6.4.10. 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.

### 6.5 External Audit

The Committee shall:

6.5.1. 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. The Committee shall oversee the

selection process for a new external auditor and 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 and if an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;

6.5.2. 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 process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;

6.5.3. oversee the relationship with the external auditor including (but not limited to):

a) recommendations on 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;

b) approval of their terms of engagement, including any engagement scope issued at the start of each audit and the scope of the audit;

c) assessing annually their independence and objectivity taking into account relevant UK law, regulation, the FRC Minimum Standard, the Ethical Standard and other professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;

d) 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;

e) establishing a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, then monitoring the implementation of this policy;

f) monitoring the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the ethical and professional guidance on the rotation of audit partner and staff, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

g) assessing annually the qualifications, expertise and resources, and independence 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;

h) seeking to ensure co-ordination with the activities of the internal audit function; and

i) evaluating the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation;

6.5.4. 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:

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 service;

d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and

e) the criteria governing compensation;

6.5.5. 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;

6.5.6. 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 the seniority, expertise and experience of the audit team; and

6.5.7. 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) the auditor's view of their interactions with senior management;
e) levels of errors identified during the audit; and
f) the effectiveness of the audit process.

The Committee shall also:

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

6.5.9. review the management letter and management's response to the auditor's findings and recommendations;

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;

6.5.10. document how effective oversight of the external auditor has been achieved throughout the year; and

6.5.11. at least annually review the performance of the external auditors prior to making recommendations relating to their re-appointment.

### 6.6. Management and Internal and External Audit Reports

The Committee shall:

6.6.1. review the assurance reports from management on the effectiveness of the risk management and internal control framework and from internal audit the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective, and whether they are enough to help the Board in satisfying itself that the risk management and internal control framework is operating effectively; and

6.6.2. 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.

## 7. Reporting Responsibilities

7.1. The Committee Chair 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

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

b) its assessment of the effectiveness of the external audit process (required under paragraph 6.5.3 g), the approach taken to 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

c) any other issues on which the Board has requested the Committee's opinion.

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

7.3. The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report should 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 Code and the FRC Minimum Standard, including details of the Committee's activities to meet the requirements of the FRC Minimum Standard.

7.4. In compiling the reports referred to in 7.1 and 7.3, 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-references to that information.

## 8. Other Matters

The Committee shall:

8.1. have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;

8.2. 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;

8.3. give due consideration to relevant laws and regulations, the provisions of the UK Corporate Governance Code and FRC Minimum Standard and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;

8.4. be responsible for co-ordination of the internal and external auditors;

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

8.6. 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

8.7. 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 for approval.

## 9. Authority

The Committee is authorised to:

9.1. seek any information it requires from any employee of the Company in order to perform its duties;

9.2. obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

9.3. call any employee to be questioned at a meeting of the Committee as and when required; and

9.4. 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.

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