

**NETWORK INTERNATIONAL HOLDINGS PLC -  
TERMS OF REFERENCE**

**AUDIT AND RISK COMMITTEE**

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**NETWORK INTERNATIONAL HOLDINGS PLC**

(the **Company**)

**TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE**  
(approved at a meeting of the board of directors of the Company held on 29 March 2019)

**Members of the audit and risk committee**

The Audit and Risk Committee shall comprise of such members as may be appointed to the Committee by the Board from time to time. **Constitution**

1. It is resolved that a committee of the board of the Company (the **Board**) be established, to be known as the audit and risk committee (the **Audit and Risk Committee**).
2. These terms of reference will be made available on the website of the Company and its subsidiaries (the "Group").

**Membership**

3. The Audit and Risk Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chair of the Audit and Risk Committee, in accordance with the Company's articles of association.
4. All members of the Audit and Risk Committee shall be independent non-executive directors. Any member who is determined by the Board no longer to be independent shall cease to be a member of the Audit and Risk Committee. The Audit and Risk Committee shall consist of a minimum of three members, of which at least one committee member shall have recent and relevant financial experience and competence in accounting and/or auditing. The Audit and Risk Committee as a whole shall have competence relevant to the sector in which the Group operates.
5. The chair of the Audit and Risk Committee shall be an independent non-executive director and shall be appointed by the Board on the recommendation of the nomination committee from among the members of the Audit and Risk Committee. In the absence of the chair of the Audit and Risk Committee (and/or an appointed deputy or alternate chair), the members present at any meeting of the committee shall elect one of their number to chair the meeting.
6. If any member of the Audit and Risk Committee is unable to act for any reason, the chair of the Audit and Risk Committee may appoint another independent non-executive director of the Company agreed by the other members of the Audit and Risk Committee to act as that member's alternate.
7. The company secretary or his or her nominee shall be the secretary of the Audit and Risk Committee (the **Secretary**). The Secretary shall ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
8. Each member of the Audit and Risk Committee shall disclose to the committee:
  - (a) any personal or financial interest (other than as a shareholder) in any matter to be decided by the Audit and Risk Committee; or
  - (b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Audit and Risk Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Audit and Risk Committee.

## Meetings

9. The Audit and Risk Committee shall meet at least five times a year, to coincide with key dates within the financial reporting and audit cycle and otherwise as the chair of the committee shall require. A meeting shall be held as soon as reasonably practicable upon a request for such meeting by any committee member or by the Group's external auditor.
10. 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 Group's governance, including the chair of the Board (where not a member of the committee), the chief executive officer, the chief financial officer, the external lead audit partner and the head of internal audit.
11. No one other than the members of the Audit and Risk Committee are entitled to be present at a meeting of the Audit and Risk Committee. The members of the Audit and Risk Committee shall, however, have the discretion to decide if other individuals may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
12. It is expected that the external audit lead partner will be invited from time to time to attend meetings, as well as the chief financial officer and the chief risk officer. At least once a year, the Audit and Risk Committee shall meet with the external and internal auditor, without management, to discuss matters relating to its remit and any issues arising from the audit.
13. The quorum for meetings of the Audit and Risk Committee shall be two members present throughout the meeting in person or by telephone. A duly convened meeting of the Audit and Risk 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 Audit and Risk Committee.
14. Meetings of the Audit and Risk Committee shall be called by the Secretary at the request of any member or at the request of the external or internal auditor if they consider it necessary.
15. Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and, where appropriate, supporting papers shall be forwarded to each member of the Audit and Risk Committee, each non-executive director and to each other person invited to attend, no later than five working days prior to the date of the meeting. All reasonable efforts shall be made to arrange such meetings so that members are able to attend them.
16. A member of the Audit and Risk Committee may participate in committee meetings by telephone.
17. In the event of an equality of votes, the chair of the Audit and Risk Committee shall have a casting vote.
18. The Secretary shall prepare minutes of proceedings and decisions for all meetings of the Audit and Risk Committee, including the names of those present and in attendance, and,

after approval and signature by the chair of the Audit and Risk Committee, shall circulate the minutes to all members of the Audit and Risk Committee and to the chair of the Board and, once agreed, to all other members of the Board.

19. The Secretary shall ascertain, at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.
20. The chair of the Audit and Risk Committee shall be available to answer questions about the committee's activities at the annual general meeting of the Company. All members of the Audit and Risk Committee shall also attend the annual general meeting.

## **Duties**

21. The Audit and Risk Committee should carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.
22. The duties of the Audit and Risk Committee shall be:
  - (a) External Audit
    - (i) to consider and make recommendations to the Board, for it to put to the shareholders for their approval at the general meeting in relation to the appointment, re-appointment and removal of the external auditor;
    - (ii) if the Board does not accept the Audit and Risk Committee's recommendation on the appointment, re-appointment and removal of the external auditor, to prepare a statement explaining the committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the Board's reasons for taking a different position;
    - (iii) to 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;
    - (iv) to oversee the relationship with the external auditor, including:
      - (A) negotiating and agreeing the remuneration and terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit;
      - (B) influencing the appointment of an engagement partner;
      - (C) ensuring the level of fees payable for audit services is appropriate to enable an effective and high quality audit to be conducted;
      - (D) approving fees for non-audit services; and
      - (E) ensuring co-ordination where more than one audit firm is involved;
    - (v) to meet regularly with the external audit lead partner and other audit partners and staff as required;
    - (vi) to monitor the audit of the Group and consolidated financial statements;

- (vii) to assess annually the external auditor's independence, objectivity and the effectiveness of the audit process, taking into consideration relevant UK law, professional and regulatory requirements, including the Revised Ethical Standard 2016 (the **Ethical Standard**). The Audit and Risk Committee should consider the annual disclosure from the external auditor and the relationship with the auditor as a whole, including the provision of any non-audit services, and discuss with the auditor any threats to the auditor's independence and the safeguards applied to mitigate those threats;
- (viii) to ensure that the audit services contract is put out to tender at timely intervals and that the Group changes its auditor periodically in line with applicable legislation, including to conduct a tender at least every 10 years and rotate auditors after 20 years;
- (ix) to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (x) to agree with the Board a policy on the employment of former employees of the Group 's auditor, taking into account the Ethical Standard and legal requirements, and monitor the implementation of this policy;
- (xi) to seek annually from the external auditor information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding rotation of audit partners and staff;
- (xii) to monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements;
- (xiii) to assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include obtaining a report from the external auditor on its own internal quality procedures and consideration of the firms' annual transparency reports;
- (xiv) to seek to ensure co-ordination with the activities of the internal audit function;
- (xv) to evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the committee;
- (xvi) to develop and implement a policy on the provision of non-audit services by the external auditor, in line with relevant legislation and regulation and taking into account relevant ethical guidance; and to report to the Board identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken (so as to ensure that the provision of such services does not impair the external auditor's independence and objectivity). This policy should cover the following matters:

- (A) threats to the independence and objectivity of the external auditor from the provision of non-audit services, and any safeguards in place;
  - (B) the nature of the non-audit services, and the types of non-audit services to be pre-approved;
  - (C) the method for assessing whether the non-audit services have a direct or material effect on the audited financial statements;
  - (D) whether the external audit firm is the most suitable supplier of the non-audit service;
  - (E) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - (F) the criteria governing compensation;
- (xvii) to monitor the planned programme of audits and to ascertain the reason for any change or delay in the programme;
- (xviii) to discuss with the external auditor the factors that could affect audit quality and review and approve the annual and any interim 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;
- (xix) to review with the external auditors (in the absence of management if necessary) the results of their work in conducting the annual and any interim audit, including:
- (A) any major issues that arose during the course of the audit;
  - (B) the external auditors' explanation of how the risks to audit quality were addressed;
  - (C) key accounting and audit estimates and judgements;
  - (D) the external auditors' view of their interactions with senior management;
  - (E) levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted; and
  - (F) any reservations that the external auditors may have and other matters that they wish to raise;
- (xx) to assist in the resolution of disputes between the external auditor and management, or to otherwise make recommendations to the Board on the resolution of such disputes;
- (xxi) to review the audit representation letters, giving particular consideration to matters where representation has been requested that relates to non-standard issues;

- (xxii) to review the external auditors' management letter and management's response to the auditor's findings and recommendations;
  - (xxiii) to assess the effectiveness of the external audit process, including an assessment of the quality of the external audit, the handling of key judgements by the external auditor and the external auditor's response to questions from the committee; and
  - (xxiv) if the external auditor resigns, to investigate the issues leading to such resignation and to consider whether any action is required.
- (b) Internal Audit
- (i) to review and approve the mandate of the internal audit function, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
  - (ii) to ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, to 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 to ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
  - (iii) to ensure that the head of internal audit has direct access to the chair of the Board and to the Audit and Risk Committee and that the internal auditor has direct access to the Board and chair of the Audit and Risk Committee, providing independence from the executive and accountability to the committee;
  - (iv) to monitor and review the effectiveness of the internal audit function, and as part of this assessment to:
    - (A) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
    - (B) review and assess the annual internal audit work plan to ensure it is aligned with the key risks of the business, and to receive regular reports on the work carried out;
    - (C) receive a report on the results of the internal auditor's work;
    - (D) monitor and assess whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
    - (E) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
  - (v) to approve the appointment or termination of appointment of the head of internal audit;
  - (vi) to review reports addressed to the committee from the internal auditor;

- (vii) to review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
  - (viii) to consider whether an independent, third party review of internal audit effectiveness and processes is appropriate, and in any event undertake such a review at least every four years; and
  - (ix) where external auditors are being considered to undertake aspects of the internal audit function, to consider the effect this may have on the effectiveness of the Group's overall arrangements for internal control, the effect on the objectivity and independence of the external auditor and the internal audit function and investor perceptions in this regard. Investor perceptions are likely to be influenced by:
    - (A) the reporting in the annual report on the nature and extent of the work being performed by the external auditor; and
    - (B) whether, in the absence of internal audit work, the Audit and Risk Committee is wholly reliant on the views of the external auditor about the effectiveness of its system of controls relating to core activities and significant locations.
- (c) Financial reporting
- (i) to monitor the integrity of the financial statements and of the financial reporting process, including reviewing the Group's annual and half-yearly and other interim reports, preliminary announcements and any other formal announcements relating to the Group's financial performance and to consider and report to the Board on significant financial reporting issues and judgements contained in them, and to submit recommendations and proposals to ensure the integrity of the process;
  - (ii) the Audit and Risk Committee shall focus particularly on:
    - (A) considering significant accounting policies, any changes to them and any significant estimates and judgements;
    - (B) the methods used to account for significant or unusual transactions where different approaches are possible and the extent to which the financial statements are affected by any unusual transactions;
    - (C) where the accounting treatment is open to different approaches, considering whether the Group has adopted appropriate accounting standards and, where necessary, made appropriate estimates and judgements taking into account the views of the external auditor;
    - (D) reviewing the clarity and completeness of disclosures in the financial reports and statements and considering whether the disclosures made are set properly in context; and
    - (E) reviewing all material information presented with the financial statements, such as the strategic report, directors' report and the

corporate governance statement (in so far as it relates to the audit and risk management);

- (iii) to 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, Market Abuse Regulation and Disclosure Guidance and Transparency Rules sourcebook;
  - (iv) periodically assess the effectiveness of the Group's financial reporting procedures; and
  - (v) to report its views to the Board where it is not satisfied with any aspect of the Group's financial reporting.
- (d) Narrative reporting
- (i) where requested by the Board, to 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 Group's position and performance, business model and strategy and whether it informs the Board's statement on these matters that is required under the UK Corporate Governance Code;
  - (ii) where requested by the Board, to provide advice on the assessment of principal risks facing the Group, including the management and mitigation of those risks; and
  - (iii) where requested by the Board, to provide advice on how, taking account of the Group's position and principal risks, the prospects of the Group have been assessed, over what period, and why that period is appropriate, and whether there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the chosen period, drawing attention to any qualifications or assumptions as necessary.
- (e) Internal Control and Risk Management
- (i) to keep under review the adequacy and effectiveness of the Group's internal financial controls and to review the Group's internal control and risk management systems, including
    - (A) assessing the adequacy of the risk framework, including the effective operation of the "three lines of defence" model;
    - (B) ensuring that an annual assessment of the principal and emerging risks, facing the Group has been performed and reporting and advising on mitigation of those risks to the Board;
    - (C) ensuring adequate risk appetite statements, and appropriate key performance indicators against such statements, are in place; and

- (D) agreeing triggers for reporting and escalation of material emerging risks which could be critical to the Group, and assessing the Group's ability to manage any new risks;
  - (ii) to review the adequacy and security of arrangements by which staff and contractors of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the proportionate and independent investigation of such matters, and for appropriate follow-up action;
  - (iii) to review the Group's procedures for detecting fraud;
  - (iv) to review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance;
  - (v) to review regular Regulatory Compliance reports and keep under review the adequacy and effectiveness of the Group's anti-money laundering systems and controls;
  - (vi) to review regular Regulatory Compliance reports and keep under review the adequacy and effectiveness of the Group's compliance function;
  - (vii) to approve Group level risk and compliance policies, risk management programmes and compliance frameworks;
  - (viii) to approve Group level product approval policies, the scope of which should include governance processes supporting the development of significant new products and the commencement of any significant risk assuming activities;
  - (ix) to consider the major findings of internal investigations and management's response;
  - (x) to advise the Board on the Group's current risk exposures and future risk strategy in relation to risk assessment;
  - (xi) to advise the Board on risk elements of any proposed strategic transaction, and any impact of such transaction on agreed risk appetites; and
  - (xii) to advise the Board on the Group's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment.
- (f) Tax Compliance
- (i) approve the framework of responsibilities and policies in regard to tax compliance, and ensure that appropriate people and procedures are in place for managing tax compliance risk;
  - (ii) scrutinise, monitor and review the effectiveness of the group's tax arrangements and ensure that the risks to tax compliance are properly managed and enable returns to be prepared with an appropriate degree of confidence and compliance with tax legislation; and

- (iii) review and authorise any tax structuring initiatives intended to result in a tax saving.
  - (g) to provide recommendations to the nomination committee on the appointment of the chief financial officer and chief risk officer.
23. The Audit and Risk Committee is authorised by the Board to investigate any activity within the scope of its duties.

### **Reporting responsibilities**

24. The reporting responsibilities of the Audit and Risk Committee shall be:
- (a) to review the statement by the directors to be included in the annual accounts on the going concern status of the Company and the Group and any material uncertainties identified to the Company's ability to continue adopting the going concern assumption over a period of at least twelve months from the date of approval of the financial statements;
  - (b) to review and recommend to the Board the viability statement;
  - (c) to assist the Board by preparing a statement for inclusion in the annual report which describes the roles and responsibilities of the Audit and Risk Committee and actions taken by the committee to discharge those responsibilities;
  - (d) to produce for the Board's approval a statement for inclusion in the annual report in relation to internal control and the management of risk; and
  - (e) to produce, for inclusion in the annual report, a statement of compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, and, if applicable, to produce a statement to include the disclosures required by Article 4 of that Order.
25. The chair of the Audit and Risk Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report formally to the Board on how the committee has discharged its responsibilities. This report shall include:
- (a) the significant issues that it considered in relation to financial statements and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, length of tenure of the 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 Audit and Risk Committee's opinion.
26. The Audit and Risk Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
27. The chair of the Audit and Risk Committee shall seek engagement with shareholders on significant matters related to his or her areas of responsibility.

28. The Audit and Risk Committee shall compile a statement on its activities to be included in the Company's annual report which describes the roles and responsibilities of the Audit and Risk Committee and actions taken by the committee to discharge those responsibilities, including:
- (a) an explanation of how the Audit and Risk Committee has assessed the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current auditor, when a tender was last conducted and advance notice of any retendering plans; and
  - (b) the significant issues that the Audit and Risk Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor;
  - (c) if an external auditor provides non-audit services, an explanation of the Group's policy for approval of non-audit services and how the auditor's objectivity and independence are safeguarded; the audit fees for the statutory audit of the Group's consolidated financial statements paid to the external auditor and its network firms for audit-related services and non-audit services, including the ratio of audit to non-audit fees; and, for each significant engagement or category of engagements, what service is provided and why the Audit and Risk Committee decided that it was in the Group's interests to purchase them from the external auditor;
  - (d) an explanation as to how the Audit and Risk Committee assessed the effectiveness and quality of the internal audit; and
  - (e) a description of how the Audit and Risk Committee composition requirements have been addressed, including a list of the names and qualifications of all members of the committee, the number of committee meetings and attendance by each member.
29. In compiling its reports to the Board and to be included in the annual report, 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.

### **Performance, resources and training**

30. The Audit and Risk Committee shall
- (a) have access to sufficient resources in order to carry out its duties, including access to the services of the Group's secretariat for assistance as required;
  - (b) consider other topics, as defined by the Board;
  - (c) work and liaise as necessary with all other Board committees;
  - (d) 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;
  - (e) 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;

- (f) give due consideration to laws and regulations, and any applicable rules and guidance, as appropriate;
- (g) be responsible for the coordination of the internal and external auditors; and
- (h) oversee any investigation of activities which are within its terms of reference.

31. The Audit and Risk Committee is authorised by the Board:

- (a) to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it reasonably believes it necessary to do so;
- (b) to secure the attendance of other persons at its meetings if it considers this necessary;
- (c) to seek any information it requires from any employee of the Company or the Group in order to perform its duties and shall have access to the head of internal audit (if there is one) and the Group's external auditor;
- (d) to call any employee to be questioned at a meeting of the committee, as and when required; and
- (e) 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.