



Head Office
Central House, Beckwith Knowle
Otley Road, Harrogate
North Yorkshire HG3 1UD

Vp PLC

AUDIT COMMITTEE – TERMS OF REFERENCE

Approved by the Board on 29 May 2024

Reference to 'the Code' shall mean the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018 (as amended from time to time)

Reference to 'the Committee' shall mean the Audit Committee

Reference to 'the Board' shall mean the Board of Directors of Vp plc

I DUTIES

The Committee shall carry out those duties as detailed below.

Financial Reporting

- 1.1 The Committee shall review the integrity of the financial and narrative statements of the Company, including its annual and interim reports, trading updates and preliminary results announcements. The Committee shall report its views to the Board if it is not satisfied with any aspect of the proposed financial reporting.
- 1.2 The Committee shall review (and challenge where necessary):
- The application, appropriateness and consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
 - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - the clarity and completeness of disclosure in the Company's financial reports, the context in which statements are made and any changes to those disclosures including the review of any correspondence between the Company and the external auditor;
 - the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
 - significant adjustments resulting from the external audit;
 - the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's and Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial



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statements) and the longer term viability statement (including an assessment of the prospects of the Group looking forward over an appropriate and justified period);

- compliance with financial reporting standards and any recognised investment exchange and other financial and governance reporting requirements;
- all material information presented with the financial statements, including the Strategic Report insofar as it relates to audit;
- any other statements that contain financial information and require Board approval, if carrying out a review before 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;
- at the request of the Board, whether the financial statements and annual report presented by the Group, taken as a whole, are fair balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy;
- the significant issues that the Committee considered, including:
 - issues in relation to the financial statements and how these were addressed, having regard to matters communicated to it by the auditors;
 - the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team;
 - and, where a Company's audit has been reviewed by the FRC's Audit Quality Review team, the Committee should discuss the findings with their auditors and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions they and the auditors plan to take. This discussion should not include disclosure of the audit quality category.

Internal controls and risk management systems

1.3 The Committee shall on behalf of the Board (which retains overall responsibility for risk management):

- keep under review and monitor the effectiveness of the Group's internal financial controls that identify, assess, manage and monitor financial risks and other internal control and risk management systems and ensure that a formal review of such systems is undertaken on at least an annual basis;
- review the statements to be included in the annual report concerning internal controls, risk management and the viability statement;



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- where requested by the Board, ensure that a robust assessment of the emerging and principal risks facing the Company and Group has been undertaken (including those risks that would threaten the Company's and Group's business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks;
- where requested by the Board, provide advice on how, taking into account the Company's and Group's position and principal risks, the Company's and Group'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 and Group 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;
- 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. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively; and
- 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.

Compliance, Whistleblowing and fraud

1.4 The Committee shall:

- review the Company's adequacy and security of arrangements for its employees 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;
- make recommendations to the Board in relation to issues that are identified and require remedial action; and
- review the Company's procedures for detecting fraud.

Internal audit

1.5 The Committee shall:

- monitor and review the effectiveness of the Company's internal audit function, in the context of the Group's overall risk management system;



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- consider and approve the remit of the internal audit function and ensure it has unrestricted scope, adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- ensure the function has adequate standing and is free from management or other restrictions;
- review and assess the annual internal audit plan and be advised of the reasons for any change or delay in the plan and ensure co-ordination between the internal and external auditors;
- review promptly all reports on the Group from the internal auditors;
- determine whether it is satisfied that the quality, experience and expertise of the internal audit are appropriate for the business;
- review and monitor management's responsiveness to the findings and recommendations of the internal auditors;
- meet the head of internal audit at least once a year to discuss their remit and any issues arising from the internal audits carried out. 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 is accountable to the Committee; and
- approve the appointment and removal of the head of the internal audit function.

External audit

The Committee shall:

- 1.6 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 as well as giving consideration to external tendering at least every five years;
- 1.7 oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required. These processes will involve close consultation and liaison with the Chief Financial Officer;
- 1.8 oversee the relationship with the external auditor including (but not limited to):
 - agreeing the external auditors' remuneration (including fees for both the audit and non-audit services);



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- approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 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);
 - agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - monitoring the auditor's compliance with relevant ethical and professional guidance;
 - agreeing with the external auditor who the audit partner responsible for the audit should be; and
 - assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 1.9 review and approve the annual audit plan incorporating principal areas of risk, audit scope and levels of materiality;
- 1.10 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- a discussion of any major issues which arose during the audit;
 - any accounting and audit judgements;
 - the auditor's view of their interactions with senior management;
 - levels of errors identified during the audit; and
 - the overall effectiveness of the audit;
- 1.11 consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor;



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- 1.12 review any representation letters 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;
- 1.13 review the management letter and the management's response to the auditor's findings and recommendations;
- 1.14 ensure the auditor has full access to Company staff and records; and
- 1.15 develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant guidance on the matter and to keep the policy under review.

2 MEMBERSHIP AND MEETINGS

- 2.1 In consultation with the Audit Committee Chair, the Nomination Committee should recommend Audit Committee appointments to the Board. The Committee shall comprise at least two members, all of whom are independent non-executive directors and at least one of whom shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. The Chairman of the Board shall not be a member of the Committee.
- 2.2 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, Chief Financial Officer and other executives may be invited to attend all or part of any meetings as and when appropriate.
- 2.3 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 2.4 The external and internal auditors will be invited to attend meetings of the Committee on a regular basis. The Audit Committee should, at least annually, meet the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audits.
- 2.5 Appointments to the Committee shall be for a period of up to three years, such period being extendable by additional three year periods at the discretion of the Committee, so long as members continue to be independent and meet the criteria for membership of the Committee.
- 2.6 The Committee Chairman shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.



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- 2.7 The Company Secretary shall act as Secretary of the Committee.
- 2.8 The quorum for meetings of the Committee shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 2.9 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 2.10 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance including the Board Chairman, the Chief Executive Officer, Chief Financial Officer, Company Secretary and the external audit partner.
- 2.11 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including the names of those present and in attendance. Minutes of Committee meetings shall be circulated promptly to all members of the Board.
- 2.12 The Committee will make publicly available these terms of reference by placing them on the Company's website, setting out its delegated responsibilities, which should be reviewed and where necessary, updated annually.

3 ANNUAL GENERAL MEETING AND REPORTING

- 3.1 The Chairman of the Committee shall attend the annual general meeting and shall be prepared to respond to any shareholder questions on the Committee's activities.
- 3.2 The Chairman of the Committee shall report to the Board on the Committee's proceedings after each meeting and make whatever recommendations to the Board it deems appropriate on any area within its remit.
- 3.3 The Committee shall produce a report on its activities to be included in the Company's annual report and shall also provide the following information to the Board:
 - details of membership of the Committee, the number of meetings held and attendance over the course of the year;
 - summary of the role and work of the Committee;
 - how the Committee's performance evaluation has been conducted;
 - any significant issues that the Committee considered in relation to the financial statements and how these issues were addressed and information about the findings and actions planned by the Committee and external auditor, having regard to matters communicated



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to it by the external auditor, the nature and extent of any interaction with the Financial Reporting Council's Corporate Reporting Review team and any significant findings of a review of the Company's audit conducted by the Financial Reporting Council's Audit Quality Review team; and

- an explanation of the application of the Company's accounting policies.

4 OTHER MATTERS

The Committee shall:

- 4.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 4.2 be provided with such training as may be reasonably required, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 4.3 oversee any investigation of activities which are within its terms of reference;
- 4.4 at least once a year review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval;
- 4.5 have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position; and
- 4.6 Allow a sufficient interval of time (where appropriate) between Audit Committee meetings and main Board meetings to allow any work arising from the Audit Committee meeting to be carried out and reported to the Board as appropriate.

5 AUTHORITY

The Committee is authorised (normally after consultation with the Chairman) by the Board to:

- 5.1 Seek any information it requires from any employee of the company in order to perform its duties. Such requests will normally be routed through either the Chief Executive or Group Finance Director.
- 5.2 Obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference.