

# Wise plc

("the Company")

## Terms of Reference for Group Audit & Risk Committee

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### 1 Purpose

The Audit & Risk Committee is established as a committee of the Board. The Audit & Risk Committee is vested with the authority, powers and duties set out in these Terms of Reference.

In these Terms of Reference, reference to:

**"Board"** shall mean the Board of Directors.

**"Code"** shall mean the UK Corporate Governance Code, as amended.

**"Committee"** shall mean the Audit Committee.

**"Committee Chair"** shall mean the chair of the Committee.

**"Committee Secretary"** shall mean the secretary of the Committee.

**"Company"** shall mean Wise plc

**"Group"** shall mean the Company together with its subsidiary undertakings from time to time.

- 1.1 The Committee shall comprise at least three members, all of which shall be independent non-executive directors. At least one member shall have recent and relevant financial experience (ideally with a professional qualification from one of the professional accountancy bodies) and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The chair of the Board shall not be a member of the Committee.
- 1.2 Members of the Committee shall be appointed by the Board, on the recommendation of the Group Nomination Committee in consultation with the Committee Chair. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to meet the criteria for membership of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, it is expected that the Chief Financial Officer, head of internal audit and external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

- 1.4 The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

In deciding chairmanship and membership of the Committee, the value of ensuring that Committee membership is refreshed and that undue reliance is not placed on particular individuals should be taken into account.

## **2 Secretary**

- 2.1 The Company secretary or their nominee shall act as the Committee Secretary 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 of the Committee. 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 directions vested in or exercisable by the Committee. Strategy and Oversight.

## **4 Frequency of meetings**

- 4.1 The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee Chair and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Board chair, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

## **5 Notice of meetings**

- 5.1 Meetings of the Committee shall be convened by the Committee Secretary at the request of the Committee Chair or any of its members, or at the request of the Chief Financial Officer, external audit lead partner or head of internal audit if they consider it necessary. Meetings may be held in person, over the telephone or via video conference.
- 5.2 Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.
- 5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## **6 Minutes of meetings**

- 6.1 The Committee Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

The Committee Secretary shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflicts of interest exist in relation to a particular member of the Committee on any particular issue, then such member of the Committee shall not participate or vote on the issue that gave rise to such a conflict of interest.

- 6.2 Draft minutes of Committee meetings shall be circulated by the Committee Secretary to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the Company secretary, unless, in the opinion of the Committee Chair, it would be inappropriate to do so.

## **7 Engagement with shareholders**

- 7.1 The Committee Chair should attend the annual general meeting of the Company to answer shareholder questions on the Committee's activities.
- 7.2 In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

## **8 Duties in relation to Audit**

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Group as a whole in relation to Audit.

### **8.1 Financial reporting**

- 8.1.1 The Committee shall monitor the Company's financial reporting process and 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, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor. The Committee shall also assist the Board with the review of interim reports, preliminary announcements, significant financial returns to regulators and material financial information contained in certain other public documents, such as announcements of a price sensitive nature.
- 8.1.2 In particular, the Committee shall review and challenge where necessary:
- the application of significant accounting policies and any changes to them;
  - the methods used to account for significant or unusual transactions where different approaches are possible;

- 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;
- the clarity and completeness of disclosures in the financial statements and the context in which statements are made;
- 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.
- compliance with accounting standards and legal and regulatory requirements;
- any significant adjustments resulting from the audit; and
- the basis on which the Group has been determined to be a going concern.

8.1.3 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 Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules Sourcebook and Disclosure Guidance and Transparency Rules Sourcebook.

8.1.4 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.

## **8.2 Narrative reporting**

8.2.1 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.

8.2.2 In relation to disclosures required to be published outside of the annual report and accounts, the Committee shall annually approve the tax strategy.

## **8.3 Internal controls and risk management systems**

The Committee shall:

8.3.1 keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and its internal control and risk management systems; and

8.3.2 review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

#### **8.4 Compliance, speaking up and fraud**

The Committee shall:

- 8.4.1 review the adequacy and security of the Company's arrangements for its employees, contractors and external parties 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;
- 8.4.2 review the Company's procedures for detecting fraud;
- 8.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.4.4 approve and make any change to policies in relation to bribery prevention and whistleblowing.
- 8.4.5 review regular reports from the Money Laundering Reporting Officer on the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- 8.4.6 review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

#### **8.5 Internal audit**

Where there is an internal audit function:

- 8.5.1 approve the appointment or termination of appointment of the head of internal audit;
- 8.5.2 review and approve the role and mandate of internal audit and monitor and review the effectiveness of its work;
- 8.5.3 review and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- 8.5.4 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. The Committee shall pay particular attention to the areas in which the work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and overseeing these relationships to ensure they are coordinated and operating effectively to avoid duplication;
- 8.5.5 ensure that the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between the 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;

- 8.5.6 ensure internal audit has direct access to the Board chair and to the Committee Chair, providing independence from the executive and accountability to the Committee;
- 8.5.7 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:
- meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
  - review and assess the annual internal audit work plan;
  - receive a report on the results of the internal auditor's work;
  - 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.
- 8.5.8 monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor;
- 8.5.9 consider whether an independent, third party review of internal audit effectiveness and processes is appropriate.

## **8.6 External audit**

The Committee shall:

- 8.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 8.6.2 ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms and, in respect of such tender, develop and oversee the selection procedure for the appointment of the external audit firm in accordance with applicable Code and regulatory requirements, conducting the tender process and ensuring that all tendering firms have access to all necessary information and individuals during the tender process;
- 8.6.3 if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.6.4 oversee the relationship with the external auditor. In this context, the Committee shall:

- approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
  - approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 8.6.5 assess annually, the external auditor's independence and objectivity taking into account relevant law, regulation, the FRC 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;
- 8.6.6 satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 8.6.7 agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the FRC Ethical Standard and legal requirements, and monitor the application of this policy;
- 8.6.8 ca tender was last conducted and advance notice of any retendering plans;being present, to discuss the auditor's remit and any issues arising from the audit;
- discuss with the external auditor the factors that could affect audit quality and review and approve the annual 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;
  - review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
    - (I) a discussion of any major issues which arose during the audit;
    - (II) the auditor's explanation of how the risks to audit quality were addressed;
    - (III) key accounting and audit judgements;
    - (IV) the auditor's view of their interactions with senior management; and
    - (V) levels of errors identified during the audit.
  - review any representation letter(s) requested by the external auditor before they are signed by management;
  - review the management letter and management's response to the auditor's findings and recommendations;

- consider and review the findings of any external tax advisor to the Group; and
- review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements, and 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.

#### **8.6.9 Reporting responsibilities**

- The Committee Chair shall report formally to the Board on the Committee's 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:
  - the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;
  - its assessment of the effectiveness of the external audit process (required under paragraph 8.6.10), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when

8.6.10 information on any improvement or action that is required in relation to the approval of the supply of non-audit services by the external auditor; and

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

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

8.8 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the Committee, including:

8.8.1 an explanation of how the Committee has addressed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;

8.8.2 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;

8.8.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code; and



8.8.4 a statement of compliance with the provisions of the CMA Order 2014.

8.9 In compiling the reports referred to in paragraphs 9.1 and 9.3, 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.

## **9 Duties in relation to Risk**

The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Group as a whole in relation to Audit.

### **9.1 Risk Appetite, Tolerance and Strategy**

9.1.1 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.

9.1.2 The committee should seek assurance on the risks the company identifies as those to which the business may be exposed. The risks will be specific to the company's circumstances but are likely to include many of the following:

- Threats to the business model or future performance
- Operational risk
- Transactional risk
- Capital
- Insolvency
- Market risk
- Liquidity
- Counterparty risk
- Conduct risk
- Material litigation
- Reputational risk
- Environmental, Social and Governance (ESG) issues
- Ethical codes
- IT operations, including cyber risk
- Health and safety
- Pandemic risk
- Business continuity plans

Other risks specific to the company's sector and its operations need to be identified and may, for example, include:

- Regulatory and legal risks
- Investment risk
- Insurance risk
- Credit limits
- Regulatory stress testing
- Risk exposures and limits
- Asset impairments
- Risk trends, concentrations and correlations
- Research and development
- Manufacturing and supply chains
- Terrorism
- Major accident

9.1.3 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.

9.1.4 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.

## **9.2 Narrative reporting for Risk matters**

The committee shall carry out the following duties to assist the board in fulfilling its reporting responsibilities in the annual report in relation to Risk.

9.2.1 Monitor and review the effectiveness of the company's risk management and internal control systems.

9.2.2 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.

9.2.3 Review and assess the company's risk appetite and associated stress testing.

9.2.4 Evaluate the company's principal risks, to be taken into account by the board when assessing the company's prospects.

9.2.5 Review and approve the statements to be included in the annual report concerning internal controls and risk management.

## **9.3 Internal controls and risk management systems**

The committee shall oversee and seek suitable assurance regarding:

9.3.1 The risk exposures of the company, including risk to the company's business model, and solvency and liquidity risks.

- 9.3.2 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.
- 9.3.3 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.
- 9.3.4 The company's capability to identify and manage new and emerging risks.
- 9.3.5 The effectiveness and relative costs and benefit of particular controls.
- 9.3.6 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.
- 9.3.7 The company's ability to reduce the likelihood of principal risks materialising and the impact on the business of risks that do materialise.
- 9.3.8 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.
- 9.3.9 The Group Head of Risk right of direct access to the chairman of the board and to the committee.

## **10 Reporting responsibilities**

- 10.1 The committee chair shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The committee shall provide advice to the remuneration committee 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.
- 10.3 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.4 The committee shall compile a report of its activities to be included in the company's annual report, describing the work of the committee.

## **11 Other matters**

The Committee shall:

- 11.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 11.2 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;

- 11.3 give due consideration to laws and regulations, including the provisions of the Code and published guidance, the requirements of the Financial Conduct Authority's Listing Rules, Prospectus Regulation Rules Sourcebook and Disclosure Guidance and Transparency Rules Sourcebook, the CMA Order 2014 and any other applicable rules, as appropriate;
- 11.4 be responsible for coordination of the internal and external auditors;
- 11.5 oversee any investigation of activities which are within its terms of reference;
- 11.6 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;
- 11.7 ensure that a periodic evaluation of the Committee's performance is carried out; and
- 11.8 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.

## **12 Authority**

- 12.1 seek any information it requires from any employee of the Company and the Group in order to perform its duties;
- 12.2 obtain, in accordance with the relevant Company guidelines and at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 12.4 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.