

# Man Group plc - Audit and Risk Committee

*Terms of Reference*  
(Effective 6 December 2022)



Terms of Reference of the Audit and Risk Committee (the “**Committee**”), established as a Committee of the Board of Directors (the “**Board**”) of Man Group plc (the “**Company**”).

## Purpose

The Committee supports the Board by performing defined roles in relation to the interim and annual financial statements, the Company’s relationship with its external auditor, the effectiveness of risk management and internal controls and the review and monitoring of the Finance, Compliance and Internal Audit functions. Specific responsibilities are set out for each of these roles below. The existence of the Committee does not relieve the directors of any of their responsibilities.

## Membership and quorum

The Committee shall comprise at least three members, all of whom shall be independent non-executive directors of the Company. At least one member shall have significant, recent and relevant financial experience 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.

Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Committee. Appointments shall be for a period of up to three years, which may be extended for up to two additional three-year periods, provided the member still meets the criteria for membership of the Committee.

The Board shall appoint the Chair of the Committee. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.

The quorum shall be two members but, in the absence of a quorum for a particular Committee meeting, the Committee may appoint such other independent non-executive director(s) (to be nominated by the Chair of the Committee) as are required, to act as alternate(s) for those members of the Committee who are unable to attend that meeting.

## Meeting formalities

Only members of the Committee have the right to attend Committee meetings. However, the Board Chair, Chief Executive Officer, Chief Financial Officer (who also assumes the responsibilities of Chief Risk Officer and Chief Operating Officer), the Head of Internal Audit, and representatives of the external auditor will usually attend meetings on the invitation of the Committee. Other individuals (including Board members who are not Committee members) may be invited to attend all or part of any meeting as and when appropriate.

There should be at least one meeting each year, or part thereof, where the external auditor attends without management present and similarly one such meeting with Internal Audit.

In some circumstances it may be necessary for members to attend meetings by telephone or video conference, which shall be permitted.

The Company Secretary, or their nominee, shall act as the Secretary of the Committee. The Secretary of the Committee shall attend meetings 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.

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## Frequency and notice of meetings

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

Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members, or at the request of the external auditor or Internal Audit if they consider it necessary.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be sent 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. The Committee reserves the right to hold meetings at short notice.

## Responsibilities

### *Interim and Annual Financial Statements*

#### Financial Reporting

The Committee shall monitor the integrity of financial information through review and challenge, where necessary, of the actions and judgements of management in relation to the interim and annual financial statements before submission to the Board, paying particular attention to:

- critical accounting policies and practices, and any changes in them;
- decisions requiring a significant element of judgement, including accounting estimates;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- on and off balance sheet items;
- the extent to which the financial statements are affected by any unusual transactions in the relevant period and the manner in which they are disclosed;
- the adequacy and completeness of disclosures;
- significant adjustments resulting from the audit, including the requirement to be advised of unadjusted differences;
- the assumptions or qualifications in support of the "going concern" statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements), which also supports the directors' solvency statement which is required to be made in accordance with Jersey law prior to any distribution, and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period);
- compliance with applicable accounting and financial reporting standards;
- compliance with applicable UKLA, stock exchange and other regulatory requirements, including matters relating to climate, sustainability and Environmental, Social and Governance disclosures; and
- any other matter referred to it by the Board or the Remuneration Committee.

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## Narrative reporting

The Committee shall, where requested by the Board, review the content of the annual/interim 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.

The Committee shall review all statements to be included in the annual report concerning internal controls and risk management prior to endorsement by the Board. This shall include all other material information presented with the financial statements, such as the strategic report, the Directors' statement regarding their robust assessment of the principal risks facing the Company and the corporate governance statement (insofar as it relates to the audit and risk management).

## *External Audit*

The Committee shall:

- have primary responsibility for making a recommendation to the Board on the appointment, reappointment and removal of the external auditor. If the Board does not accept the Committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the Committee explaining the recommendation and should set out reasons why the Board has taken a different position;
- if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- ensure that the tendering, selection and rotation of the external audit services contract is carried out at such intervals and in a manner as may be determined by applicable law, regulation and best practice;
- discuss with the external auditor and with management the accounting principles, policies and practices adopted in the preparation of the financial statements and to be assured that they comply with statutory requirements and generally accepted accounting standards;
- review the findings of the audit with the external auditor which shall include but not be limited to a discussion of any major issues which arose during the audit, any accounting and audit judgements, levels of errors identified during the audit and the responses of management to external audit findings and recommendations;
- assess the independence of the external auditor, with specific focus on the rotation of key partners at / representatives of the external auditor at appropriate intervals;
- approve the letter of appointment and annual engagement letter of the external auditor and the audit fee and pre-approve fees in accordance with the Committee's policy on non-audit services provided by the external auditor and to avoid any threat to the external auditor's independence or objectivity;
- monitor and review, on an annual basis, the external auditor's qualifications, independence, objectivity and effectiveness, taking into consideration relevant law, regulations and professional requirements and ethical standards for auditors and, if the Committee considers it appropriate, obtain a report on the external auditor's own internal quality control procedures;
- assess, at the end of the audit cycle, the effectiveness of the external audit process;
- review the external auditor's management representation letter and any other material written or email communication from the external auditor and the management's response to these;

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- approve and monitor the policy relating to the hiring of personnel from the external auditor;
- consider any significant items of discussion between external audit and senior management and external audit and the Chair since the last Committee meeting;
- review annually the policy on the engagement of the external auditor to supply non-audit services and report to the Board on the nature and extent of non-audit services supplied by the external auditor, identifying any matters in respect of which action or improvement is needed and making recommendations as to the steps to be taken;
- review and approve the annual audit plan and discuss with the external auditor, before the audit commences, the nature and scope of the audit, the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements; and
- meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.

### *Risk Management, Internal Controls and Compliance*

The Committee shall monitor the effectiveness of systems for risk management, capital adequacy, internal control and compliance, including a periodic review of:

- the Group's policies and process for the identification, assessment and management of risk;
- the Group's Risk Governance & Appetite Framework including reports on the Group's risk profile and related internal controls;
- the Group's policies and process for the identification, assessment and management of risk considering the potential harm to the firm, clients and markets;
- the Group's process steps for preparing the Internal Capital and Risk Assessment ("ICARA") for the UK/EEA sub-group;
- all significant issues reported to it by the Chairs of the Group's Risk and Finance Committees (Global, UK/EEA and Rest of World);
- operational risk items and any risk items which could adversely impact the reported operating results of the Group during the financial year in question, or result in future losses;
- the Group's regulatory reporting activities and Compliance functions, supported by appropriate reports as may be requested by the Committee which should include an annual presentation by the Global Head of Compliance and BORR;
- the Money Laundering Reporting Officer's annual report including the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- the Group's means for its workforce to raise concerns, in confidence and – if they wish – anonymously, and the reports arising from its operation. The Committee should also ensure that arrangements are in place for the proportionate and independent investigation of such concerns and any follow up action and should report to the Board as and when appropriate on the operation and outcome of its review.

The Committee shall, on behalf of the Board, ensure that a robust assessment of the principal, emerging and strategic risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and advise on the management and mitigation of these risks.

The Committee shall report to the Board on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why

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the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications and assumptions as necessary.

In relation to the Board's obligations under the UK Corporate Governance Code, the Committee shall monitor and, at least annually, carry out a review of the effectiveness of the Group's risk management and internal controls systems and report its conclusions and recommendations to the Board. The review shall cover all material controls, including financial, operational and compliance controls, risk management systems and internal controls over financial reporting.

### *Internal Audit*

The Committee shall:

- monitor and review annually the remit and effectiveness of the Internal Audit function approve the Internal Audit Plan and Internal Audit Charter and assess whether the Internal Audit function is adequately resourced and has appropriate standing within the Group. This review is to be supported by a report from external/independent consultants at least every five years (to be different to the firm providing Internal Audit services);
- review promptly all significant internal audit recommendations and findings;
- consider management's response to and progress in addressing Internal Audit recommendations and findings;
- be consulted on and give input into the remuneration of and the appointment or dismissal of the outsourced Internal Audit provider;
- ensure the Head of Internal Audit has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee;
- review and monitor the co-ordination of internal and external audit activities;
- 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
- consult with the Head of Internal Audit to consider any threats and safeguards required to protect his independence in respect of any audits relating to Finance or Risk.

### *Matters relevant to the remuneration of Man staff*

The Committee shall consider the following matters of relevance to the remuneration of Man staff:

- items in the financial statements where there is a current or future risk of the outcome being significantly different from the reported position;
- the timing or likelihood of future revenues;
- the impact of planned bonus payments on Man's capital and liquidity position, or its growth prospects;
- whether any individual control finding or the control environment within a particular business area is a matter relevant to the remuneration of individuals, or groups of staff;
- management's follow-up of risk management and compliance failures and consideration of whether any are relevant to the remuneration of individuals, or groups of staff;
- whether any current or future risks may be relevant to the remuneration of Man staff; and

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- other relevant risk or internal control topics, as and when required by the Board or requested by the Remuneration Committee.

### Reporting procedures

The Secretary of the Committee shall circulate the minutes of Committee meetings to the Committee and all other members of the Board where appropriate.

Following each meeting, the Chair of the Committee shall report to the Board on its proceedings, this should include regular escalation of matters relating to principal, emerging and strategic risks.

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

The Chair of the Committee shall make reports formally to the Remuneration Committee ahead of the financial period end:

- on the robustness of the risk control framework in place for the financial period;
- to notify any risk items in the financial statements that may have an impact on the bonus compensation pool principles and calculation; and
- to notify any risk or control matter relevant to the remuneration of individuals, or groups of staff.

The Chair of the Committee or, as a minimum, another member of the Committee, shall attend the Board meeting at which the accounts are approved.

The Committee shall prepare a report on its activities to be included in the Company's annual report (the "**Committee Report**"). The Committee Report shall include:

- the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed,
- an explanation of how the Committee has assessed 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, the current audit partner's and tenure, when a tender was last conducted and advance notice of any retendering plans;
- if the external auditors provide non-audit services, the Committee's policy for approval of non-audit services and an explanation of how auditor objectivity and independence are safeguarded; and
- an explanation of how the Committee has assessed the effectiveness of the Internal Audit process.

### Governance

The Committee shall conduct an annual review of its effectiveness and consider any recommended changes for approval. An explanation of how the Committee's performance evaluation has been conducted shall be included in the Committee Report.

The Committee shall review these Terms of Reference on an annual basis and may recommend to the Board any changes it considers necessary.

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The Chair of the Committee shall attend the Company's Annual General Meeting to answer any questions on the Committee's activities and responsibilities.

The Committee shall 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 to support the continuing development of the knowledge, skills and expertise they require to discharge their role.

The Committee shall work and liaise as necessary with other Board Committees, ensuring the interaction between Committees and with the Board is reviewed regularly.

### **Authority**

The Committee shall be authorised by the Board to:

- investigate any activity within its terms of reference;
- seek any information that it requires from any employee of the Group; and
- obtain, at the Company's expense, outside legal or independent professional advice and such advisors may, if invited, attend meetings as necessary.

The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.