

Note:

Reference to 'Company' shall mean QinetiQ Group plc

Reference to 'Committee' shall mean the Audit Committee

Reference to 'Board' shall mean the Board of Directors of the Company

1. Membership	<p>The Committee shall comprise at least three members, all of whom shall be independent Non-Executive Directors. The Committee shall include at least one member of the Risk & Security Committee and the Committee as a whole shall have competence relevant to the sector in which QinetiQ Group plc operates. The Chair of the Board shall not be a member of the Committee.</p> <p>Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee in consultation with the Chair of the Audit Committee. Members of the Committee will be independent of management and free of any business or other relationships (including, without limitation, cross directorships or day-to-day involvement in the management of the business), which could interfere with the exercise of their independent judgement. At least one member must have recent and relevant financial experience.</p> <p>Only members of the Committee have the right to attend Committee meetings. However, the Group Chair, the Group CEO, the Group CFO, the Group Financial Controller, the Group Director Internal Audit, the Chief Risk Officer and representatives of the external auditors are afforded a standing invitation to attend meetings of the Committee.</p> <p>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.</p> <p>At least once a year the Committee shall meet (i) the External Auditors and (ii) the Internal Audit function, in each case without Executive Directors present.</p>
2. Secretary	<p>The Company Secretary, or their nominee, shall act as secretary of 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.</p>
3. Quorum and Format of meetings	<p>The quorum necessary for the transaction of business shall be two members.</p> <p>Committee members must declare any conflict of interest they may have regarding the business of the meeting. Any conflicts of interest declared should be noted by the Secretary.</p>
4. Frequency of meetings	<p>Meetings shall be held at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Additional meetings may be requested by those individuals noted in Section 5.</p> <p>Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the company's governance, including the Group Chair, the Group CEO, the Group CFO, the Chair of the US SSA Audit Committee, the External Audit Lead Partner and the Group Director Internal Audit.</p>
5. Notice of meetings	<p>Meetings of the Committee shall be called by the Secretary at the request of the Committee Chair or any of its members, or at the request of the External Audit Lead Partner or Group Director Internal Audit if they consider it necessary.</p> <p>Unless otherwise agreed, 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.</p>
6. Minutes of meetings	<p>The Secretary (or their nominee) shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.</p> <p>Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board and the Company Secretary unless, exceptionally, it would be inappropriate to do so.</p>
7. Engagement with Shareholders	<p>The Committee Chair should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.</p>

8. Duties	<p>The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the major subsidiary undertakings and the Group as a whole, as appropriate.</p>
8.1	<p>Financial reporting</p> <p>The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, 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.</p> <p>In particular, the Committee shall review and challenge where necessary:</p> <ul style="list-style-type: none"> a) The application of significant accounting policies and any changes to them, including practices and methods, and whether the Company has applied these properly. b) The methods used to account for significant or unusual transactions where different approaches are possible, including how any unusual transaction has affected financial statements and how this is disclosed. c) The appropriateness of key assumptions, including internal modelling validation outputs, and methods to deliver financial results. d) 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. e) The clarity and completeness of disclosures in the financial statements and the context in which statements are made. f) 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. g) Compliance with accounting standards and FCA rules and any other legal or regulatory requirements. h) The main drivers of the financial results under the relevant basis of accounting; significant adjustments resulting from the audit; the going concern and long-term viability assumptions; and the Group's exposure to financial reporting risk. <p>The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook.</p> <p>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.</p>
8.2	<p>Non-financial reporting</p> <p>The Committee shall review and challenge, where necessary, the action and judgments of Management in relation to mandatory non-financial reporting (including Climate-Related and Non-Financial Disclosures), having particular regard to:</p> <ul style="list-style-type: none"> a) the application of critical non-financial reporting policies, practices and methods, any changes thereto, and whether the Company has adopted these appropriately; b) appropriateness of key assumptions, methods and controls to prepare and report non-financial metrics; c) the clarity, accuracy and comprehensiveness of disclosures and the Group disclosure controls and procedures; and d) compliance with regulation.
8.3	<p>Narrative reporting</p> <p>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.</p>

8.4	<p>Internal controls and risk management systems</p> <p>The Committee shall:</p> <ul style="list-style-type: none"> a) On behalf of the Board, oversee a framework of internal controls, including financial, operational and compliance controls which address the main risks faced by the Company. The internal control framework will be based on the three lines model. . b) Keep under regular review, by way of “deep dives”, the internal controls relating to tax, interest rates, foreign exchange and management of cash held by the Company. c) Review and recommend to the Board the statements to be included in the annual report concerning internal controls, risk management (including the assessment of principal risks and emerging risks), and the viability statement. d) Review and recommend to the Board any attestations to be made in relation to the internal control framework of the Company.
8.5	<p>Compliance, speaking-up and fraud</p> <p>The Audit Committee is the responsible body for ensuring and overseeing the integrity, independence and effectiveness of the Company’s policies and procedures on whistleblowing, including those policies and procedures intended to protect whistle-blowers from being victimised during and after reporting valid concerns.</p> <p>In fulfilment of this responsibility, the Committee shall:</p> <ul style="list-style-type: none"> a) routinely, review the adequacy and security of the Company’s arrangements for its employees, contractors and external parties to raise concerns, in confidence or with anonymity, about possible wrongdoing in financial, non-financial, reporting or other matters. b) review the Company’s procedures for detecting fraud. c) review the Company’s systems and controls for the prevention of bribery and receive reports on non-compliance.
8.6	<p>Internal Audit</p> <p>The Committee shall:</p> <ul style="list-style-type: none"> a) Approve the appointment or termination of appointment of the Group Director Internal Audit. b) Review and approve the role and mandate of Internal Audit, 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 Group. c) 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. d) Ensure Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the Internal Audit function evaluates the effectiveness of these functions as part of its Internal Audit plan, and ensure that the Internal Audit function is equipped to perform in accordance with appropriate professional standards for internal auditors. e) Ensure the Group Director Internal Audit has direct access to the Group Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee. f) Carry out an annual assessment of the effectiveness of the Internal Audit function, with an independent third party used at least every five years for the review. g) 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, and ensure that the function is adequately independent, objective and resourced.

8.7	<p>External Audit</p> <p>The Committee shall:</p> <p><u>Appointment</u></p> <ul style="list-style-type: none"> a) 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. b) Approve the External Auditor's engagement letter and any amendments to these terms that occur in the course of the External Auditor's engagement. c) Recommend the External Audit fee to the Board for approval, including the fees for non-audit services. <p><u>Tender</u></p> <ul style="list-style-type: none"> a) Ensure that at least once every 10 years the external audit service contract is put out to tender, and oversee the selection process. b) Develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process. <p>Should a tender process be required, the Committee shall:</p> <ul style="list-style-type: none"> c) Ensure that the Committee conducts the tender process, separate from Management, and that recommendations are made direct to the board regarding the appointment, reappointment and removal of the external auditor; d) Ensure that all Committee Members are involved in the whole tender process; e) Ensure that three to four different Audit firms are considered as part of the tender process, with a shortlist of two possible Audit firms being submitted to the Board, together with a justified preference for one of the firms. <p><u>Review</u></p> <ul style="list-style-type: none"> a) If an External Auditor resigns, investigate the issues leading to this and decide whether any action is required. b) Oversee the relationship with the External Auditor. In this context the Committee shall: c) 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. d) Approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit. <p><u>Independence</u></p> <ul style="list-style-type: none"> a) Assess annually the External Auditor's independence and objectivity taking into account relevant law, regulation, the 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. b) 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. c) Agree with the Board a policy on the employment of former employees of the Company's Auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy. d) Monitor the Auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of Audit Partner and staff. e) Monitor the level of fees paid by the Company to the External Auditor compared to the overall fee income of the firm, office and Partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard. f) Assess annually the qualifications, expertise and resources, and independence of the External Auditor and the effectiveness of the External Audit process, which shall include a report from the External Auditor on their own internal quality procedures. g) At least annually, report to the Board on the assessments carried out subject to the provision above.
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<p>8.8</p>	<p><u>Co-ordinate</u></p> <ul style="list-style-type: none"> a) Seek to ensure coordination of the External Audit with the activities of the Internal Audit function. b) Evaluate the risks to the quality and effectiveness of the financial, non-financial and climate reporting process in the light of the External Auditor's communications with the Committee. <p><u>Non-audit services</u></p> <ul style="list-style-type: none"> a) Develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the Auditor. b) Review the nature and extent of non-audit services, ensuring they do not impair the independence and objectivity of the External Auditor. c) Specify the types of non-audit service requiring approved. <p><u>Effectiveness</u></p> <ul style="list-style-type: none"> a) Meet regularly with the External Auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the External Auditor without Management being present, to discuss the Auditor's remit and any issues arising from the audit. b) 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. c) Review the findings of the audit with the External Auditor. d) Review any representation letter(s) requested by the External Auditor before it is (they are) signed by Management. e) Review the management letter and Management's response to the Auditor's findings and recommendations. f) Review the effectiveness of the audit process, 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. <p>Other</p> <p>The Committee shall:</p> <ul style="list-style-type: none"> a) Follow the Audit Committees and the External Audit: Minimum Standard. b) Work with the Finance function, and the Remuneration Committee, to consider any financial implications that may arise from the Director Remuneration Policy. c) Be available to advise the Board or Chair of the Board on the financial matters of the company. d) Work in co-ordination and alignment with the Risk & Security Committee at all times.
<p>9. Reporting responsibilities</p>	<p>The Committee Chair shall report formally to the Board on its proceedings after each meeting, as soon as reasonable practicable, on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.</p> <p>The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.</p> <p>The Committee shall compile a report on its activities to be included in the company's annual report, subject to the approval of the Board. The report should describe the work of the Audit Committee during the year.</p> <p>The Committee should exercise judgement in deciding which issues it considers 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.</p>

10. Other Matters	<p>The Committee shall:</p> <ul style="list-style-type: none"> a) Have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for advice and assistance as required. b) 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. c) Give due consideration to all relevant laws and regulations, the provisions of the Code and published guidance, the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate. d) Be responsible for oversight of the coordination of the Internal and External Auditors. e) Oversee any investigation of activities which are within its terms of reference. f) Work and liaise as necessary with all other Board Committees ensuring interaction between Committees and with the Board is reviewed regularly. g) Ensure that a periodic evaluation of the Committee's performance is carried out. h) 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.
11. Authority	<p>The Committee is authorised to:</p> <ul style="list-style-type: none"> a) Seek any information it requires from any employee of the Company in order to perform its duties, including calling any employee to be questioned at a meeting of the Committee as and when required. b) Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so. c) 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.

Date of approval
September 2024