



**Verona Pharma**<sup>®</sup>  
Breath of Innovation

**VERONA PHARMA PLC  
(the “Company”)**

**AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

**Updated by the Board on December 14, 2023, effective January 1, 2024**

**CONSTITUTION**

1. The board of directors (the “**Board**”) hereby resolves to establish a committee of the Board to be known as the audit and risk Committee (the “**Audit and Risk Committee**”):
  - (a) to increase shareholder confidence and the credibility and objectivity of published financial information;
  - (b) to assist the Board’s oversight of the Company’s accounting and financial reporting processes and the audits of the Company’s financial statements;
  - (c) to strengthen the independent position of the Company’s independent registered public accounting firm (the “**external auditors**”) by providing channels of communication between them and the non-executive directors; and
  - (d) to review the performance of the external auditors.

**STRUCTURE AND MEMBERSHIP**

2. The members of the Audit and Risk Committee shall be appointed by the Board (and may be removed by the Board with or without cause) and, except as permitted by the applicable rules of The Nasdaq Stock Market LLC (“**Nasdaq**”) shall comprise at least three members of the Board. Except as otherwise permitted by the applicable Nasdaq rules, each member of the Audit and Risk Committee shall be an “independent director” as defined by Nasdaq Rule 5605(a)(2), meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and not have participated in the preparation of the financial statements of the Company or any current subsidiary of the Company at any time during the past three years.
3. Each member of the Audit and Risk Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement, at the time of his or her appointment to the Audit and Risk Committee. In addition, at least one member must have past employment experience in finance or accounting, requisite professional certification in accounting or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities. Unless otherwise determined by the Board (in which case disclosure of such determination shall be made in the Company’s annual report filed with the U.S. Securities and Exchange Commission (“**SEC**”)), at least one member of the Audit and Risk Committee shall be an “Audit and Risk Committee financial expert” (as defined by applicable SEC rules).
4. The Chair of the Audit and Risk Committee shall be appointed by the Board. The membership

of the Audit and Risk Committee shall be set out in the annual report of the Company.

5. The compensation of Audit and Risk Committee members shall be as determined by the Board. No member of the Audit and Risk Committee may receive, directly or indirectly, any consulting, advisory or other compensatory fee from the Company or any of its subsidiaries, other than fees paid in his or her capacity as a member of the Board or of a committee of the Board.

6. A quorum of the Audit and Risk Committee shall be a majority of the members of the Committee then serving.

#### **ATTENDANCE AT MEETINGS**

7. The Audit and Risk Committee may invite any outsiders to attend its meetings as it deems appropriate. However, at least once a year the Audit and Risk Committee shall meet with the external auditors without any executive Board members or management being present. The Audit and Risk Committee may nominate one of its members, the company secretary or such other person as it deems appropriate to be the secretary of meetings.

#### **FREQUENCY OF MEETINGS**

8. Meetings shall be held not less than four times a year. The external auditors may request a meeting if they consider that one is necessary.

#### **NOTICE OF MEETINGS**

9. Meetings of the Audit and Risk Committee shall be summoned at the request of any of its members or at the request of the external auditors if they consider it necessary.

10. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than 2 days before the date of the meeting. Any supporting papers shall be sent to each member of the Audit and Risk Committee (as appropriate) at the same time.

#### **VOTING ARRANGEMENTS**

11. Each member of the Audit and Risk Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Audit and Risk Committee.

12. If a matter that is considered by the Audit and Risk Committee is one where a member of the Audit and Risk Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

13. Save where he or she has a personal interest, in the event of an equality of votes the Chair of the Audit and Risk Committee will have a second or casting vote.

#### **AUTHORITY**

14. The Audit and Risk Committee is authorized by the Board to conduct or authorize investigations on any activity within its terms of reference as it shall deem appropriate, including the

authority to request any officer, employee or advisor of the Company to meet with the Audit and Risk Committee or any advisors engaged by the Audit and Risk Committee.

**15.** The Audit and Risk Committee is authorized by the Board to have unrestricted access to the Company's external auditors, and the Audit and Risk Committee is empowered, without further action by the Board, to cause the Company to pay the compensation of the external auditors established by the Audit and Risk Committee. The Audit and Risk Committee shall pre-approve all audit services to be provided to the Company, whether provided by the principal auditor or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the external auditor; *provided, however, that de minimis* non-audit services may instead be approved in accordance with applicable SEC rules. Other than with respect to the annual audit of the Company's consolidated financial statements, the Chair of the Audit and Risk Committee is hereby delegated the authority to pre-approve other audit services and all other services on behalf of the Audit and Risk Committee.

**16.** The Audit and Risk Committee is further authorized to obtain, at the Company's expense, outside legal or other independent professional advice on any matter within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. The Company must provide for appropriate funding, as determined by the Audit and Risk Committee, for payment of ordinary administrative expenses of the Audit and Risk Committee that are necessary or appropriate in carrying out its duties.

**17.** The authority and responsibilities set forth in these terms of reference do not reflect or create any duty or obligation of the Audit and Risk Committee to plan or conduct any audit, to determine or certify that the Company's financial statements are complete, accurate, fairly presented, or in accordance with generally accepted accounting principles or applicable law or to guarantee the external auditor's reports.

## **DUTIES AND TERMS OF REFERENCE**

### ***Financial Statements***

**18.** The Audit Committee shall:

- (a) monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain;
- (b) review and discuss with the Company's management and external auditor the Company's audited financial statements and quarterly financial statements to be filed with the SEC, including disclosures under the caption "management's discussion and analysis of financial condition and results of operation" and the matters required to be discussed by applicable Public Company Accounting Oversight Board (the "**PCAOB**") standards and SEC rules;
- (c) consider whether it will recommend to the Board that the Company's audited financial statements be included in the Company's Annual Report on Form 10-K; and
- (d) prepare an annual committee report for inclusion where necessary in the proxy statement of the Company relating to its Annual General Meeting of shareholders.

- 19.** The Audit and Risk Committee shall review and challenge where necessary:
- (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
  - (b) the methods used to account for significant and unusual transactions where different approaches are possible;
  - (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (d) the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
  - (e) all material information presented with the financial statements, such as the business review and any corporate governance statement (insofar as it relates to the internal controls and risk management).

***Oversight of External Auditor***

- 20.** The Audit and Risk Committee shall:
- (a) 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. The Audit and Risk Committee shall be solely and directly responsible for overseeing the selection process for new auditors and evaluating, retaining and, when necessary, terminating the engagement of the external auditor. If an auditor resigns, the Audit and Risk Committee shall investigate the issues leading to this and decide whether any action is required;
  - (b) have sole and direct responsibility for overseeing the relationship with the external auditor including (but not limited to):
    - (i) resolving disagreements between Company management and the external auditors regarding financial reporting;
    - (ii) approval of their remuneration, whether fees for audit or non-audit services;
    - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
    - (iii) assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements, the relationship with the auditor as a whole, including the provision of any non-audit services, and actively engaging in dialogue with the external auditor concerning any disclosed relationships or services that might impact the objectivity and independence of the auditor; in connection with this responsibility, the Audit and Risk Committee shall obtain and review the written disclosures and the letter from the independent auditor required by applicable requirements of the PCAOB regarding the external auditor's communications with the Audit and Risk Committee concerning independence;

- (iv) 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);
  - (v) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners;
  - (vi) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures; and
- (c) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (d) meet the external auditor at least once a year, without executive Board members and management being present, to discuss their remit and the following:
- (i) any major issues which arose during the audit,
  - (ii) any accounting and audit judgements, and
  - (iii) levels of errors identified during the audit;
- (e) review the representation letter(s) requested by the external auditor before they are signed by management;
- (f) develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter; and
- (g) request the external auditor provide relevant information about inspections of the firm by the PCAOB, including the following:
- whether any audit overseen by the Audit and Risk Committee is selected by the PCAOB for an inspection and, if so, the findings of the inspection;
  - whether the PCAOB's inspection of other audits performed by the firm raised auditing or accounting issues similar to those presented in the Company's audit;
  - the firm's response to PCAOB findings; and
  - the firm's remedial efforts in light of any quality control deficiencies that may have been identified by the PCAOB.

### ***Controls and Procedures***

**21.** The Audit and Risk Committee shall coordinate the Board's oversight of the Company's internal control over financial reporting and disclosure controls and procedures.

**22.** The Audit and Risk Committee shall discuss the Company's policies with respect to risk assessment and risk management, including guidelines and policies to govern the process by which the Company's exposure to risk is handled, and oversee management of the Company's financial and cybersecurity risks. The Committee shall receive regular briefings from senior management on these

risks and shall discuss with management the steps management has taken to monitor and control these risks.

**23.** The Audit and Risk Committee shall establish and oversee the Company's arrangements for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. The Audit and Risk Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

**24.** The Audit and Risk Committee shall periodically review the Company's policies and procedures for reviewing and approving or ratifying "related person transactions" (defined as transactions required to be disclosed pursuant to Item 404 of Regulation S-K), including the Company's Related Person Transaction Policy, and recommend any changes to the Board. In accordance with the Company's Related Person Transaction Policy and Nasdaq rules, the Audit and Risk Committee shall conduct appropriate review and oversight of all related person transactions for potential conflict of interest situations on an ongoing basis.

**25.** The Audit and Risk Committee shall:

(a) give due consideration to applicable laws and regulations, including the provisions of the Companies Act 2006, the requirements of the Nasdaq rules or any other national or global securities exchange on which the Company's securities are listed, and the rules and regulations promulgated under the Securities Act of 1933, as amended, the Exchange Act and any other applicable rules as appropriate; and

(b) periodically evaluate its own performance and, at least once a year, review and assess its constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.

## **PROCEDURES AND ADMINISTRATION**

**26.** The Audit and Risk Committee may form and delegate authority to one or more subcommittees, as it deems appropriate from time to time under the circumstances (including a subcommittee consisting of a single member). Any decision of a subcommittee to pre-approve audit, review, attest or non-audit services shall be presented to the full Audit and Risk Committee at its next scheduled meeting.

**27.** 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.

**28.** The secretary shall circulate the minutes of meetings of the Audit and Risk Committee to all members of the Board. The Audit and Risk Committee may, in addition, at any time request a full meeting of the Board at which its conclusions shall be reported.

**29.** 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.

**30.** The recommendations of the Audit and Risk Committee must be approved by the Board before they can be implemented.

**31.** The Audit and Risk Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

**32.** The Chair of the Audit and Risk Committee shall attend each Annual General Meeting of the Company to respond to any questions on the Committee's activities.

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