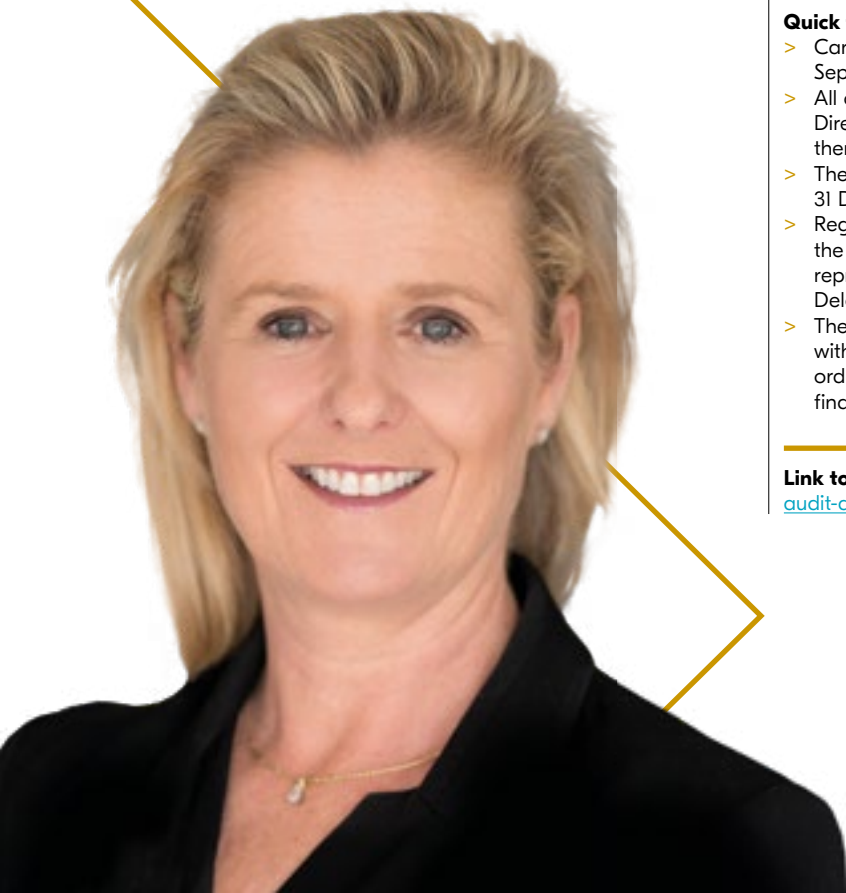


CODE PRINCIPLE: AUDIT, RISK AND INTERNAL CONTROL AUDIT AND RISK COMMITTEE REPORT

Audit and Risk Committee Report

Chair, Audit and Risk Committee
Cara Ryan



Committee members and attendance

Name	Position	Attendance
Cara Ryan	Chair	👤👤👤👤
Robert Dix	Member	👤👤👤👤
Pat McCann	Member	👤👤👤👤
Richard Cherry	Member	👤

Quick facts

- > Cara Ryan has chaired the Audit and Risk Committee since September 2020.
- > All committee members are Independent Non-executive Directors in line with the Code, and the Board considers them to have an appropriate level of experience.
- > The committee met five times during the year ended 31 December 2022.
- > Regular attendees at committee meetings include the Chair, the Executive Directors, the Group Financial Controller and representatives from KPMG LLP (the 'External Auditor') and Deloitte (the 'Internal Auditor').
- > The committee meets with the Internal and External Auditors without management being present, on an annual basis in order to discuss any issues which may have arisen during the financial year.

Link to terms of reference

[audit-and-risk-committee-terms-of-reference \(glenveagh.ie\)](#)

On behalf of the committee, I am pleased to present the Audit and Risk Committee ('ARC') report for the financial year ended 31 December 2022. The composition of the committee is outlined in the table to the left; all committee members are Independent Non-executive Directors in line with the Code.

The committee continues to focus its efforts on assisting the Board by proactively managing its core areas of responsibility: the integrity of the Group's financial reporting, risk management and internal control and assurance processes. The principal duties and responsibilities of the committee together with an overview of its activities for the year have been outlined in detail on pages 88 and 89 and summarised in the table on page 87.

Committee's key roles and responsibilities

The Board believes the ARC to be a central pillar for effective corporate governance by providing independent and impartial oversight of the Company's relevant functions. As a committee, our responsibilities include:

- > Monitoring the integrity of the Group's financial statements including reviewing significant financial reporting issues, judgements and other supplementary financial information contained in formal announcements and communications;
- > Providing advice on whether the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Group's position and performance, business model and strategy;
- > Reviewing internal financial controls and the Group's internal control and risk management systems;
- > Reviewing the effectiveness of the audit process and the independence and objectivity of the external auditor;
- > Monitoring and reviewing the effectiveness of the Group's Internal and External Auditors;
- > Developing and implementing policy on engaging the External Auditor to supply non-audit services, taking into account relevant guidance;
- > Approving the External Auditor's remuneration and terms of engagement, and making recommendations about its re-appointment;
- > Receiving updates on the work undertaken to improve the Group IT and cyber security capabilities; and
- > Reporting to the Board on how the committee has discharged its responsibilities.

CODE PRINCIPLE: AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Committee activities in 2022

March 2022	May 2022	September 2022	October 2022	November 2022
<ul style="list-style-type: none"> > Reviewed the Annual Report to ensure it was fair, balanced and understandable and provided information enabling an assessment of Glenveagh's position and performance, business model and strategy. 	<ul style="list-style-type: none"> > Received and considered the internal audit update. 	<ul style="list-style-type: none"> > Reviewed and considered the internal audit update. 	<ul style="list-style-type: none"> > Received and considered a review of the risk management process. 	<ul style="list-style-type: none"> > Reviewed and considered the internal audit update.
<ul style="list-style-type: none"> > Reviewed the External Auditor's year-end report, including independence considerations. 	<ul style="list-style-type: none"> > Received updates on the Company's deep-dive on climate risk presentation and on climate risk and opportunities. 	<ul style="list-style-type: none"> > Reviewed structure, organisation and resources. 	<ul style="list-style-type: none"> > Received and considered the principal risks to the business which included external and operational risks. 	<ul style="list-style-type: none"> > Received and considered KPMG's audit plan and strategy 2022.
<ul style="list-style-type: none"> > Considered the net realisable value of inventories. 		<ul style="list-style-type: none"> > Considered next steps on 2022 sustainability workplan update. 		<ul style="list-style-type: none"> > Reviewed and considered the PLC obligations register.
<ul style="list-style-type: none"> > Reviewed the full-year financial report announcement, the Annual Report; and papers in relation to: <ul style="list-style-type: none"> > year-end accounting matters. > the preparation of the financial statements on the going-concern basis (see also Note 7 to the Group financial statements). > the making of a going concern and viability statement recommendation to the Board. > the making of the Director's compliance statement recommendation to the Board. > the making of management representations. 		<ul style="list-style-type: none"> > Discussed in detail the 2022 interim financial results. > Received and considered the KPMG interim review findings report. > Considered and approved the 2022 interim financial statements and letter of representation. 		<ul style="list-style-type: none"> > Undertook the annual review of Company policies. > Undertook the annual review of the committee's terms of reference.

Each scheduled meeting considered Directors' interests and reviewed risk register updates.

CODE PRINCIPLE: AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Financial reporting and compliance

The committee reviewed, prior to their publication, the Group's Annual Report and financial statements and half-year and year-end results announcements issued during the year. The committee assessed whether suitable accounting policies had been adopted in the preparation of the results for the relevant period and whether management had made appropriate estimates and judgements. In particular, the committee focused on areas that involved a significant level of judgement or complexity. The committee also considered the view expressed by the External Auditor, KPMG, in making these assessments.

The primary issue considered by the committee in relation to the financial statements for the financial year ended 31 December 2022 was the Group's assessment of the carrying value of inventory at the reporting date, and profit recognised on completed units during the year.

The committee assessed the Group's ability to continue as a going concern and its viability statement prior to recommending both for approval by the Board. The committee considered the actual and potential implications on the Group's financial performance and position against the macro-economic environment and because of environmental or sustainability risks. These considerations included but were not limited to the impact on selling prices and strategies, development costs and construction programmes and put a focus on the adequacy of liquidity when reaching its conclusion.

During the financial year, the committee reviewed and recommended the Group's 2021 Annual Report and the condensed financial statements for the half-year ended 30 June 2022 to the Board for approval. The committee's review of the Annual Report and financial statements considered whether, taken as a whole, it was fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Having considered this, the committee confirmed to the Board its approval of the Annual Report and financial statements.

The committee considered the requirements of the Irish Companies Act 2014 in relation to the Directors' Compliance Statement and is satisfied that appropriate steps were taken to ensure compliance by the Group with these requirements.

Risk management and internal controls

The committee acknowledges its role to oversee the Group's risk management framework and internal-controls processes. This framework has been in place from the start of the financial year to the approval date of the 2022 Annual Report and financial statements and is set out on pages 57 to 66 of the strategic report.

The Group's internal controls manage risk and provide reasonable assurance against events or conditions that may result in material misstatement or loss to the Group. Internal control processes are regularly reviewed by the committee including an annual review by the Board of Directors through the Directors' Compliance Statement

process. Throughout the year, the committee continued to engage with Group management to ensure that robust internal controls and risk management systems continue to apply.

The committee undertook an annual review of the Group's risk management and internal controls framework in October. The review focused on the strategic risks and internal controls to address these risks. This included:

- > Assessment of the principal and emerging strategic risks faced by the Group;
- > The key internal controls in place and their effectiveness to mitigate and manage these risks; and
- > Determining scoring thresholds and risk ratings.

The risk register and the principal risks and uncertainties faced by the Group are outlined on pages 59 to 66 of this report. We have also discussed with Group management the additional work completed in respect of the viability and going concern statements to seek to assess the impact, in the short-to medium-term, of environmental and sustainability risks on the prospects of the Group.

The committee's key priorities for the year ahead will include a continued focus on assisting the Group with cyber security, emerging environmental and sustainability considerations and ensuring recommendations from Group internal audit reviews are implemented on time, and giving effect to the actions from the reviews of the Group internal audit function.

Significant issue considered

Carrying value of inventory

The carrying value of the Group's inventory was €685.8 million at 31 December 2022 which comprises the cost of development land and development rights acquired, and the costs of the work completed thereon to date. Inventory is required to be carried at the lower of cost and net realisable value.

At 30 June and 31 December 2022, management undertook an exercise to assess the net realisable value of the inventory balance in order to assess the carrying value at that date. There is a significant level of estimation involved in this exercise which includes a review of future cash flows associated with each individual site in order to validate current profitability projections which are also the key determinants of profit recognition as sales complete. As part of the assessment, the Group has re-evaluated its most likely exit strategies on all developments in the context of the current market environment and reflected these in revenue assumptions within the forecast models. The results of the exercises determined that no net adjustment to the carrying value was required at 30 June 2022 and 31 December 2022.

Committee activity

Management presented a summary of its review to the committee which included information in relation to the cross-functional approach taken to the net realisable value calculations, its policy for profit recognition on completed units, as well as the review process undertaken by senior management. Management's presentation included a summary of the results of the review for each development site with key assumptions highlighted for discussion.

The committee robustly challenged management on the additional work completed in respect of the carrying value of inventory both at 30 June 2022 and 31 December 2022, to seek to assess the impact of the macro-economic environment and sustainability and environmental issues on the profitability of the Group's development sites and to understand the different scenario analysis completed.

The committee considered the six-month interim approach and financial year-end approach to the net realisable carrying value of the inventory balance. It also considered the External Auditor's conclusion regarding management's assessment that no net impairment charge or reversal was required at 30 June 2022 and 31 December 2022.

Based on the results of the process undertaken by management, the committee was satisfied with the carrying value of inventory at year-end and the profit recognised in the consolidated statement of profit or loss on units closed in 2022.

CODE PRINCIPLE: AUDIT, RISK AND INTERNAL CONTROL CONTINUED

AUDIT AND RISK COMMITTEE REPORT CONTINUED

Assurance oversight

Internal audit

The committee is responsible for the scope and operation of the internal audit function. The committee approves and monitors the planned work of internal audit which is informed by the strategic risk areas for the business and considers any identified ineffective controls and findings. The committee places a particular focus on control weaknesses identified by internal audit and the remediation plans put in place by management. A bi-annual update is provided to the committee by internal audit on the remediation plan progress made by management.

The committee met representatives from the Internal Auditor on four occasions during the financial year and considered the findings from their reviews of planning, procurement, internal financial controls, project management, cyber security and human resources. During the year, the committee considered the frequency of internal audit reviews in the context of the current and future scale of the business. To ensure the scope, extent and effectiveness of the internal audit function is appropriate the committee approved six internal audit reviews in the 2023 financial year.

External auditor

Audit effectiveness

KPMG were appointed as the Group's External Auditors in 2017. During 2021, the committee reviewed KPMG's reports on its 2021 audit and interim review for the six months ended 30 June 2022. It also reviewed and approved KPMG's audit plan in respect of the audit for the year ended 31 December 2022.

The effectiveness of the external audit process is assessed by the committee, which meets regularly throughout the financial year with the audit partner, with and without management. In conducting this review, the committee concluded that the audit process as a whole had been conducted robustly and that the team selected to undertake the audit had done so thoroughly and professionally.

The committee considers and makes recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the External Auditor. KPMG attended four committee meetings in 2022.

In assessing the independence and objectivity of the External Auditor, the committee considered the internal processes which the External Auditor has in place to ensure their independence and

objectivity is monitored and reviewed sufficiently. The committee considered senior management's satisfaction with KPMG.

Auditor independence and non-audit services

KPMG has formally confirmed its independence to the committee. To further ensure independence, the committee has a policy on the provision of non-audit services by the External Auditor that seeks to ensure services provided by the External Auditor are not, or are not perceived to be, in conflict with auditor independence. Analysis of fees paid or payable in respect of services provided by KPMG in the financial year are analysed in the table below:

	€'000
Audit fees	255
Non-audit fees	
Interim review fees	20
Tax services fees	73
Other non-audit services	20
Total	368

At the end of the financial year, non-audit fees paid to KPMG represented 44% of total audit fees.

It is the Group's practice to engage KPMG on assignments in addition to its statutory audit duties where its expertise and experience with the Group is important. KPMG provided certain tax services in the financial year which were considered and deemed appropriate by the committee.

The committee has approved a policy on the use of the External Auditor for non-audit services and continually monitors the ratio of audit to non-audit fees, acknowledging the legislation requiring fees for non-audit services to be capped at 70% of the average statutory audit fee over the previous three year period. Further, in reviewing non-audit services provided by the External Auditor, the committee considers whether the non-audit service is a permissible service under the relevant legislation, and any real or perceived threat to the External Auditor's independence and objectivity to include, among other considerations, a review of: the nature of the non-audit services; whether the experience and knowledge of the external auditor makes it the most suitable supplier of the non-audit services; and the economic importance of the Group to the External Auditor. The policy on the supply of non-audit services includes a case-by-case assessment of the services to be provided and the costs of

the services by the External Auditor considering any relevant ethical guidance on the matter.

Whistleblowing, fraud and anti-bribery

The Group has whistleblowing, fraud and anti-bribery policies and reporting procedures in place that have been reviewed and approved by the Board. The policies are detailed in the employee handbook and published on the Group's intranet. All employees are required to acknowledge and confirm that they have read and understand these policies. Any reported cases of whistleblowing, fraud and bribery or alleged breach of these policies are appropriately investigated, with the results reported to the committee.

I am pleased to conclude that the ARC has met its obligations for 2022 and is looking forward to further adapting the Group's risk management framework to respond to the opportunities and challenges that 2023 will bring as the Group continues to deliver on its strategic objectives.



Cara Ryan

Chair, Audit and Risk Committee