

TERMS OF REFERENCE – AUDIT AND RISK COMMITTEE

1 Membership

- 1.1 The Committee shall comprise at least three members.
- 1.2 The Chairman of the Audit Committee will be Non-Executive.
- 1.3 The Board shall appoint the Chairman and other members, at least one of whom shall have an internationally recognised accounting qualification (preferably the Chairman). In the absence of the Committee Chairman and/or an appointed Deputy at a Committee Meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 The Committee may invite such other persons to its meetings as it deems necessary. The Managing Director, the Finance Director and the Head of Internal Audit will generally be invited to attend all Committee Meetings.
- 1.5 The Chairman will appoint a Secretary who will be responsible for taking minutes at Committee Meetings and circulating meeting notices, agendas and supporting papers.

2 Quorum

- 2.1 The quorum necessary for the transaction of business shall be two members.

3 Frequency of meetings

- 3.1 The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 3.2 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with the Head of Internal Audit.

4 Notice of meetings

- 4.1 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 no later than five working days before the date of the meeting. Supporting papers shall be sent to the Committee members at the same time.
- 4.2 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 4.3 Meeting should be held to a predetermined agenda.

5 Minutes of meetings

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

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5.2 Draft minutes of the Committee Meetings shall be agreed with the Committee Chairman and then circulated promptly to all members of the Committee and internal audit, unless it would be inappropriate to do so in the opinion of the Committee Chairman.

6 Duties

Where the Committee oversees a group of companies, it should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the Parent Company, major subsidiary undertakings and the Group as a whole.

6.1 Financial reporting

6.1.1 The Committee shall monitor the integrity of the financial statements of the Company, 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 External Auditor.

6.1.2 In particular, the Committee shall review and challenge where necessary:

- 6.1.2.1 the application of significant accounting policies and any changes to them;
- 6.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 6.1.2.3 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.

6.1.3 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.

6.2 Internal controls and risk management systems

The Committee shall:

- 6.2.1 keep under review the Company’s internal financial controls systems that identify, assess, manage and monitor financial risk,
- 6.2.2 review the adequacy of controls noted in the Risk Register and the Risk Matrix annually;
- 6.2.3 ensure there is linkage between the Risk Register, the Internal Audit Plan, the Business Strategy and the Policy Framework of the business.
- 6.2.4 review risk management processes for controlling non-financial risks. Where the board deems it appropriate, the Committee may review policies around IT, health and safety, insurance and the Code of Conduct;
- 6.2.5 review legal and compliance matters, including competition compliance.

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6.3 Compliance, whistleblowing and fraud

The Committee shall:

- 6.3.1 review the adequacy and security of the Company’s arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate investigation of such matters and appropriate follow-up action. The committee should ensure that the channels through which such concerns may be raised are sufficiently well publicised and that those employees involved in following up concerns do not have a conflict of interest;
- 6.3.2 review the Company’s procedures for detecting fraud;
- 6.3.3 review the Company’s systems and controls for the prevention of bribery and receive reports on non-compliance.

6.4 Internal audit

- 6.4.1 The resourcing of the Internal Audit function shall be the responsibility of the Finance Director in consultation with the Chairman of the Committee.

The Committee shall:

- 6.4.2 monitor and review the effectiveness of Internal Audit’s work;
- 6.4.3 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;
- 6.4.4 ensure Internal Audit has unrestricted scope, access to information to enable it to fulfil its mandate and ensure there is open communication between different functions;
- 6.4.5 ensure the Internal Auditor has direct access to the Committee Chairman, providing independence from the executive and accountability to the Committee.
- 6.4.6 meet regularly with the Internal Auditor and, at least once a year, meet with the Internal Auditor without management being present, to discuss the Auditor’s remit and any issues arising from audits;
- 6.4.7 review the actions taken by management to implement the recommendations of Internal Audit
- 6.4.8 determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business;
- 6.4.9 in the event that it is dissatisfied with the quality, experience or effectiveness of the Internal Audit function, make a request to the Finance Director to effect changes to rectify the situation. Should the Committee be dissatisfied with the remedial action taken, then the Chairman of the Committee should raise the matter with the Board of the Company

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6.5 External audit

The Committee shall:

- 6.5.1 oversee the relationship with the External Auditor. In this context, the Committee shall:
 - 6.5.1.1 approve their remuneration, including both fees for audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
 - 6.5.1.2 approve their terms of engagement, including any engagement letter issued at the start of each audit and scope of audit.
- 6.5.2 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;
- 6.5.3 review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:
 - 6.5.3.1 a discussion of major issues which arose during the audit;
 - 6.5.3.2 key accounting and audit judgements;
 - 6.5.3.3 the Auditor’s view of their interactions with senior management; and
 - 6.5.3.4 levels of error identified during audit;
 - 6.5.3.5 review any representation letter(s) requested by the External Auditor before they are signed by management;
 - 6.5.3.6 review the management letter and management’s response to the Auditor’s findings and recommendations.

7 Reporting responsibilities

- 7.1 The Committee Chairman shall report to the Board on its proceedings after each meeting.
- 7.2 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 Compliance with the laws and regulations

The Committee shall:

- 8.1 review the effectiveness of the Group’s systems for monitoring compliance with laws and regulations;
- 8.2 receive reports of management’s investigation and any action taken in respect of any fraudulent acts or non-compliance with laws and regulations;

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- 8.3 obtain regular updates from management regarding compliance matters;
- 8.4 be satisfied that applicable regulatory compliance matters have been considered in the preparation of the financial statements;
- 8.5 review the findings of an examination by regulatory agencies.

9 Other matters

The Committee shall:

- 9.1 have access to sufficient resources in order to carry out its duties;
- 9.2 be provided with appropriate and timely training;
- 9.3 oversee any investigation of activities which are within its terms of reference;
- 9.4 arrange for periodic reviews of its own performance and, review its constitution and term of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

10 Authority

The Committee is authorised to:

- 10.1 seek any information it requires from any employee of the company in order to perform its duties;
- 10.2 obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes necessary to do so;
- 10.3 call any employee to be questioned at a meeting of the Committee as and when required.

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