

## **TERMS OF REFERENCE: AUDIT & RISK COMMITTEE**

### **1. PURPOSE**

- 1.1. The purpose of the Audit & Risk Committee (ARC) is to consider and review, on behalf of the Board, issues relative to:
- the financial statements and related announcements.
  - the confirmation of selection of the external auditors, and performance of the external auditors.
  - the selection and performance of the internal auditors.
  - the Delegations of Authority Policy and the setting of limits of delegated authority.
  - strategies and risks associated with the digital platforms, systems and data.
  - the Tax Management, Treasury and Fraud Policies.
  - the accounting policies, detection of fraud and misappropriation, the effectiveness of internal controls, the risk management system and related matters; and
  - exposure to risk, and the effectiveness of related risk management policies, procedures and processes.

### **2. COMPOSITION**

- 2.1. The ARC is a Committee of the Board and shall consist of not less than three non-executive Directors. The appointment of Directors to this Committee shall be confirmed by the Board as required.
- 2.2. The Chair of the Committee will be a non-executive Director, other than the Chair of the Board, and shall be appointed by the Board.
- 2.3. At least one member of the Committee should have accounting or related financial expertise.
- 2.4. A quorum will be declared when at least three non-executive Directors are present.

### **3. SPECIFIC ROLE OF THE CHAIR**

- 3.1. Liaise with the CFO on behalf of the Committee to discuss any issues that are arising.
- 3.2. Meet with the external auditors at least once annually on behalf of the Committee to discuss any issues arising and the performance of the CFO and the wider finance team.
- 3.3. Liaise with the LPC Head of Risk and Assurance on a regular basis to discuss any risk and assurance issues that may arise.

### **4. MEETINGS**

- 4.1. Meetings will be as required, having regard to the Company's reporting and audit cycle.
- 4.2. The Committee Chair will convene a meeting upon request of any Committee member.
- 4.3. The Chief Executive, Chief Financial Officer and the Head of Risk and Assurance shall normally attend meetings, and members of the Finance and Digital teams shall attend as required.
- 4.4. The Committee may have in attendance such members of Management and other such persons, including the external auditors or external tax advisors, as it considers necessary to provide appropriate information and advice.
- 4.5. The Committee shall as it considers appropriate allocate time at meetings without Management present.

- 4.6. All Directors shall be entitled to attend any meeting of the Committee and shall have access to all Committee meeting papers. The Secretary will be the Chief Financial Officer or their delegate. In the absence of Management, the Chair will keep a record of business transacted.

## **5. RESPONSIBILITIES**

### **Risk Review**

- 5.1. Review the Risk Management Framework every two years and recommend changes to the Board.
- 5.2. Review and approve the Risk and Assurance Performance Management Plan each year and monitor performance against the Performance Management Plan during the year.
- 5.3. Monitor the strategic risks, mitigations, and treatment plans on a regular basis, in conjunction with the detailed assessments undertaken by the Health and Safety Committee, People and Performance Committee and Workplace Culture Governance Group.
- 5.4. Monitor the internal control environment, with special attention to the risk of fraud and misappropriation.
- 5.5. Work with Management to ensure an appropriate insurance programme is implemented that balances the cost of insurance with the company's capacity to self-insure certain areas and levels of risk.

### **Audit & Compliance**

- 5.6. Liaise with internal and external auditors.

#### Internal Audit

- 5.7. Review the internal audit plan each year and ensure adequate resources are allocated and available for the execution of the plan. Monitor progress with the completion of the internal audit plan during the year and review any significant findings from the internal audit reviews.
- 5.8. Contracted internal auditors will be invited to attend Committee meetings as required to present their work.
- 5.9. Review the activities and performance of the internal auditors.
- 5.10. Ensure that recommendations highlighted in internal audit reports are actioned by Management.

#### External Audit

- 5.11. Review the annual audit plan with the external auditor.
- 5.12. Consider the independence of the external auditor and any potential conflicts of interest.
- 5.13. Confirm the appointment of the external auditor as provided for in s19 of the Port Companies Act 1988.
- 5.14. Review the external auditor's fees.
- 5.15. Ensure that the external auditor attends at least one Committee meeting per year, in order to discuss any areas of concern or recommendations for improvement identified by the external auditor.
- 5.16. Receive the external auditor's opinion on the annual financial statements and audit management letter.
- 5.17. Review and consider all significant judgements, unadjusted differences, and critical accounting policies that have been discussed between Management and the external auditor.

## Compliance

5.18. Oversee compliance with statutory responsibilities relating to financial and other statutory requirements.

## **Finance**

5.19. Review the half year and annual financial statements and recommend to the Board for approval.

## **6. POLICY AND PROCEDURE**

6.1. Review and recommend for Board approval:

- The Treasury Policy
- The Tax Management Policy
- The Fraud Policy
- The Delegations of Authority Policy
- The Risk and Assurance Performance Management Plan, including the Internal Audit programme
- The Risk Management Framework
- The Risk Appetite Statement

6.2. Consider any other matter relating to audit, finance or risk referred to the Committee by the Board.

## **7. AUTHORITIES**

7.1. The Committee will make recommendations to the Board on all matters requiring a decision.

7.2. The Committee does not have the power or authority to make a decision on the Board's behalf.

7.3. The Committee is authorised by the Board, at the expense of the Company, to obtain such outside information and advice including market surveys and reports, and to consult with such management, consultants and advisers, with relevant experience and expertise, as it thinks necessary for carrying out its responsibilities.

## **8. REVIEW OF THE TERMS OF REFERENCE OF THE COMMITTEE**

8.1. The Committee will undertake a review of these terms of reference at least every two years.

8.2. Any changes to the terms of reference will be recommended by the Committee to the Board for their approval.

## **9. REPORTING PROCEDURES**

9.1. The Committee shall maintain direct lines of communication with the external auditor, the Chief Executive, the Chief Financial Officer, the Head of Risk and Assurance, any contracted internal auditors and with Management generally, including those responsible for non-financial risk management.

9.2. The Chief Executive, the Chief Financial Officer and the Head of Risk and Assurance shall be responsible for drawing to the Committee's immediate attention any material matter that relates to the financial condition of the company, any material breakdown in internal controls and any material event of fraud or misappropriation.

- 9.3. The minutes of all Committee meetings will be recorded, stored and circulated to members of the Committee, and made available to all Directors, according to the Company Constitution. Extracts from the minutes will be made available to the Chief Executive, the Chief Financial Officer, the Head of Risk and Assurance, the external auditor and to such other persons as the Committee directs, as may be necessary to enable them to properly carry out their functions.
- 9.4. The Chair of the Committee shall present a verbal update to the Board after each meeting summarising the Committee's activities at the meeting, any recommendations to the Board and any significant results and findings.

## **10. REFERENCE MATERIAL**

- Company Constitution
- Institute of Directors' Best Practice Statement on Audit Committees
- Treasury Policy
- Tax Management Policy
- Fraud Policy
- Delegations of Authority Policy
- Risk Management Framework
- Risk and Assurance Performance Management Plan
- Risk Appetite Statement