



## Sedex Audit & Risk Committee

### Terms of Reference

Reference to "Annual Report" shall mean the annual report published by Sedex and incorporating the audited accounts for a relevant tax year.

Reference to "the committee" shall mean the Audit & Risk Committee.

Reference to "the Code" shall mean the UK Corporate Governance Code published from time to time.

Reference to the "Ethical Standard" shall mean the FRC Ethical Standard Code published from time to time.

Other capitalised terms shall have the meaning ascribed to them in the Articles of Association of Sedex.

### 1. Membership

1.1. Members of the committee shall be appointed by the Board of Directors, on the recommendation of the Nomination Committee in consultation with the chair of the Audit & Risk Committee. The committee shall be made up of at least 3 and not more than 5 voting members.

1.2. The members of the committee shall be:

(i) up to 2 Member Directors;

(ii) up to 3 Independent Non-Executive Directors, at least one of which shall have recent and relevant financial experience; and

(iii) the Chief Executive Officer may be invited to attend and speak but not vote at meetings of the committee.

1.3. The Chief Financial Director will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate.

1.4. The Board of Directors shall appoint the committee chair who shall be an Independent Non-Executive Director. In the absence of the committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

1.5 The term of office of the members of the committee shall be three years, renewable once, or until they cease to be a Board Director, whichever sooner.  
2. Secretary

2.1. The Company Secretary or his/her nominee shall act as the secretary of the committee and will ensure the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### 3. Quorum

3.1. The quorum necessary for the transaction of business shall be 3 members one of whom should be a Member Director and the other 2 should be Independent Non-Executive Directors.

### 4. Frequency of Meetings

4.1. The committee shall meet at least three times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.

### 5. Notice of Meetings

5.1. Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members if they consider it necessary.

5.2. 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 and any other person required to attend, no later than 3 working days prior to the date of the meeting.

### 6. Minutes of Meetings

6.1. The secretary shall minute the proceedings and decisions of all meetings of the committee, including the names of those present and in attendance.

6.2. Draft minutes of committee meetings shall be agreed with the committee chair and then circulated promptly to all members of the committee, unless it would be inappropriate to do so in the opinion of the committee chair.

### 7. Annual General Meeting

7.1. The committee chair should attend the Annual General Meeting (AGM) prepared to answer shareholder i.e. Sedex Member questions.

### 8. Duties

The committee should have oversight of the financial reporting process for the Company, selection of the independent auditor, and receipt of audit results both internal and external, for the Company. The role of the committee shall include:

#### 8.1 Financial Reporting

8.1.1. The committee shall monitor the integrity of the financial statements of the Company and review and report to the Board of Directors on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

8.1.2. In particular, the committee shall review and challenge where necessary:

8.1.2.1. the application of significant accounting policies and any changes to them;

8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3. 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; and

8.1.2.4. all material information presented with the financial statements, including the Annual Report and the corporate governance statements relating to the audit and to risk management.

## 8.2 Internal Controls and Risk Management Systems

The committee shall:

8.2.1. keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; and

8.2.2. review and approve the statements to be included in the Annual Report concerning internal control, risk management and the viability statement.

## 8.3 Compliance, Whistleblowing and Fraud

The committee shall:

8.3.1. review the adequacy and security of the Company's arrangements for its employees, including agency workers 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 and independent investigation of such matters and appropriate follow up action;

8.3.2. review the Company's procedures for detecting fraud; and

8.3.3. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

## 8.4 External Audit

The committee shall:

8.4.1. consider and make recommendations to the Board of Directors, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditors;

8.4.2. develop and oversee the selection procedure for the appointment of the external auditors, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;

8.4.3. if an external auditor firm resigns, investigate the issues leading to this and decide whether any action is required;

8.4.4. oversee the relationship with the external auditors. In this context the committee shall:

8.5.4.1. approve their remuneration, including both fees for audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and

8.5.4.2. approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

8.4.5. assess annually the external auditor's independence and objectivity taking into account relevant UK 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;

8.4.6. meet regularly with the external auditors (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 auditors without management being present, to discuss the auditors' remit and any issues arising from the audit;

8.4.7. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.4.7.1. a discussion of any major issues which arose during the audit;

8.4.7.2. the auditor's explanation of how the risks to audit quality were addressed;

8.4.7.3. key accounting and audit judgements;

8.4.7.4. the auditor's view of their interactions with senior management; and

8.4.7.5. levels of errors identified during the audit.

## 9. Reporting Responsibilities

9.1. The committee chair shall report formally to the Board of Directors on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formerly report to the Board of Directors on how it has discharged its responsibilities.

9.2. The committee shall make whatever recommendations to the Board of Directors it deems appropriate on any area within its remit where action or improvement is needed.

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