
Audit Committee Terms of Reference

April 2023



RECORD plc AUDIT COMMITTEE

The role of the Audit Committee (ACom) is to encourage and safeguard the highest standards of integrity in financial reporting for the Group, having regard to laws and regulations applicable to the Group and the provisions of the UK Corporate Governance Code

TERMS OF REFERENCE

1. PURPOSE AND REMIT

- 1.1 The Audit Committee has the delegated authority of the Board as set out in these terms of reference including responsibility for overseeing, on behalf of the Board, the financial reporting of the Group, and for maintaining an appropriate relationship with the Group's auditors.
- 1.2 The Board has delegated regulatory oversight authority to the Audit Committee.
- 1.3 The Audit Committee may sub-delegate any or all of its powers and authority as it thinks fit, including without limitation the establishment of sub-committees. The membership of any sub-committee established under this authority will be comprised of a minimum of two members of the Audit Committee.

2. MEMBERSHIP AND QUORUM

- 2.1 The Audit Committee shall consist of a minimum of two members, comprising a Chair and at least one other independent member. The Audit Committee shall be appointed by the Board following the recommendations made by the Nomination Committee and in consultation with the Chair of the Audit Committee.
- 2.2 Membership of the Audit Committee shall be confined to independent non-executive directors. The Chair of the Board shall not be eligible to be a member of the Audit Committee.
- 2.3 The members of the Audit Committee shall have such experience as is required under the UK Corporate Governance Code and chapter 7.1 of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. The Audit Committee as a whole shall have competence relevant to the sector in which the Group operates. The requirements for independence, financial experience and competence may be satisfied by the same members or different members of the Audit Committee.
- 2.4 Only members of the Audit Committee have the right to attend Audit Committee meetings. However, others may be invited to attend meetings of the Audit Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary. The Audit Committee shall normally invite all or some of a representative of the Group's auditors, a representative from the outsourced Internal Audit function, the Chief Financial Officer, the Chief Executive Officer, and representatives of applicable group companies such as the Chief Operations Officer, Head of Compliance and Head of Business Risk to attend meetings. The Audit Committee shall have at least one meeting a year with representatives of the Group's external auditors to discuss the external auditor's remit and any issues arising from the audit without any executive directors or other employees being present.
- 2.5 Care should be taken by the Audit Committee to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence or material conflict with any subsidiaries clients.

- 2.6 The Board shall appoint the Audit Committee Chair from amongst the independent non-executive directors.
- 2.7 Appointments to the Audit Committee shall be for a period of three years, which may be extended for two further three year periods, provided the director concerned remains independent.
- 2.8 The Company Secretary or their nominee shall act as the Secretary of the Audit Committee and will ensure that the Audit Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
- 2.9 The quorum for decisions of the Audit Committee shall be two members. A duly convened meeting of the Audit Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

3. MEETINGS

- 3.1 The Audit Committee shall meet not less than three times a year and at such other times as the Audit Committee Chair shall require. Meetings shall be arranged to coincide with key dates in Group's financial reporting and audit cycle.
- 3.2 Formal meetings of the Audit Committee may be held by telephone or other communication equipment which allows those participating to hear and speak to each other and the quorum in that event shall be any two Audit Committee members so linked.
- 3.3 Any member of the Audit Committee may request that a meeting be convened by the Secretary of the Audit Committee. The Group's auditors and/or the Group's outsourced Internal Audit function may request that a meeting be convened if they deem it necessary.
- 3.4 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Audit Committee, any other person requested to attend and all other non-executive Directors, no fewer than five business days prior to the date of the meeting.

4. MINUTES AND RECORD KEEPING

- 4.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Audit Committee. The Secretary shall establish, at the beginning of each meeting, the existence of any new conflicts of interest or issues with any existing conflicts of interest and minute clear decisions of these accordingly.
- 4.2 Draft minutes of Audit Committee meetings shall be circulated promptly to all members of the Audit Committee. Once approved, minutes should be circulated to all other members of the Board, unless a conflict of interest exists or it would be inappropriate to do so in the opinion of the Audit Committee Chair.

5. DUTIES

5.1 Internal financial controls and operational conflicts of interest

5.1.1 The Audit Committee shall carry out the duties below for the Company and the Group as a whole, as appropriate:

- (a) monitor and review the Group's internal financial controls; along with related statements in the Annual Report;
- (b) review the Group's annual statement on its financial systems of internal controls prior to endorsement by the Board, and in particular review:
 - (i) the procedures for identifying financial risks and controlling their impact on the Group having regard (in particular) to any significant failings or weaknesses in financial internal controls that have been reported;
 - (ii) the actions taken to remedy any significant failings or weaknesses, including their timeliness;
 - (iii) the Group's policies for ensuring that the Group complies with the relevant regulatory and legal requirements; and
 - (iv) the operational effectiveness of financial policies and procedures.

5.2 Whistleblowing and fraud

5.2.1 The Audit Committee shall:

- (a) review promptly all reports from, and all financial risks and issues escalated by, the Head of Compliance or the Head of Business Risk, and their associated action plans;
- (b) ensure the Head of Compliance & Head of Business Risk shall be given the right of unfettered direct access to the Chair of the Board and to the Audit Committee;
- (c) review and monitor management's responsiveness to the findings and recommendations of the Compliance & Risk Function in regard to financial reporting;
- (d) monitor and keep under review the effectiveness of the Group's financial reporting procedures and coordinate with the auditors on their reporting obligations to regulators in relation to the Group's financial statements.
- (e) review the Group's procedures for detecting fraud and investigating and handling allegations from whistleblowers and ensure that arrangements are in place by which Group employees may in confidence raise concerns about possible improprieties in financial reporting, financial controls and any other matters;

5.3 External Audit

5.3.1 The Audit 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 or removal of the Group's auditors, and shall ensure that key partners within the audit firm are rotated from time to time. The Audit Committee shall be responsible for the selection process and if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) meet with the external auditors at least twice each year, including once at the planning stage prior to the audit to discuss its nature and scope and proposed fees, and once post audit at the reporting stage and at least once a year without management being present, to discuss the external auditor's remit and any issues arising from the audit;
- (c) ensure that the audit services' contract is put out to tender such that Record plc complies with the permissible period of tenure and the selection procedure set out in S.489A of the Companies Act 2006. The Audit Committee is responsible for organising the selection process for a new external auditor and must select at least two potential audit firms to be put forward to the Board, expressing a preference for one of them (and giving reasons for the preference identified). The Audit Committee must state in its recommendation that its recommendation is free from influence from a third party and that no contractual term restricting the choice by the general meeting of the Record plc's shareholders to certain categories or lists of statutory auditors or audit firms (as fully described in Article 16 (6) of Regulation (EU) No.537 (2014)) has been imposed on the Company. The Audit Committee shall ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (d) review the findings of the audit with the external auditor, including:
 - (i) discussion of any major issues which arose during the audit;
 - (ii) how they addressed the risks to audit quality identified in the audit plan;
 - (iii) key accounting and audit judgements;
 - (iv) the auditor's perception of the interaction with senior management and other members of the financial team;
 - (v) levels of errors and non-adjusting items identified during the audit; and
 - (vi) the effectiveness of the audit process.
- (e) review the audit representation letter before approval by the Board, giving particular consideration to matters that relate to non-standard issues. The Audit Committee shall also review the auditor's management letter in order to assess whether it is based on a good understanding of the Group's business and approve management's response to it. The Audit Committee shall monitor whether recommendations have been acted upon;

- (f) assess the effectiveness of the audit process at the end of each audit, including a review of whether the auditors met the agreed audit plan and why any changes came about, the auditors' robustness and perceptiveness in handling key account and audit judgements and in their communications with the Audit Committee and feedback on the conduct of the audit from management;
- (g) oversee the relationship with the auditors including (but not limited to):
 - (i) assessing annually their expertise, resources, independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of non-audit services;
 - (ii) considering the auditors' own internal quality control procedures;
 - (iii) satisfying itself that there are no relationships (such as family, financial, employment, investment or business) between the auditors and the Group, other than in the normal course of business;
 - (iv) approving the auditors' terms of engagement for each audit;
 - (v) approving audit fees (ensuring that the level of fees is appropriate to enable the auditors to conduct an effective audit) as well as any other fees which are payable in respect of non-audit activities;
 - (vi) developing and implementing policy on the auditors' provision of non-audit services. The Audit Committee shall ensure that the provision of such services does not impair the auditors' independence or objectivity, taking into account the Ethical Standard and legal requirements, and shall keep the policy under review and report to the board, identifying any matters in respect of which it considers that action or improvement is needed. The policy should include consideration of the following matters :
 - A. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - B. the nature of the non-audit services;
 - C. whether the external audit firm is the most suitable supplier of the non-audit service;
 - D. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - E. the criteria governing compensation;
 - (vii) agreeing with the Board a policy on the employment of former employees of the auditors, and monitoring the policy's application;
 - (viii) monitoring the auditors' compliance with the Ethical Standard and professional guidance on audit partner rotation, the level of fees the Group pays in proportion to the overall fee income of the firm, office and partner, and other related regulatory requirements;

- (ix) discussions with the auditors concerning such issues as compliance with accounting standards;
- (x) reviewing and approving the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- (xi) seeking to ensure coordination of the external audit with the activities of the internal audit function.

5.4 Internal Audit

5.4.1 The Audit Committee shall:

- (a) monitor and review the effectiveness of the Group's internal audit function and activities in the context of the Group's financial risk management systems and the work of Compliance & Risk, Finance and the external auditor;
- (b) approve the appointment or termination of appointment of the head of internal audit;
- (c) review and approve the role, mandate and annual internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the needs of the organization.
- (d) ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (e) ensure the internal auditor has direct access to the Audit Committee and Chair of the Board, where necessary, and a reporting line which enables it to be independent of the executive and so able to exercise independent judgement;
- (f) review and assess 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 ;
- (g) ensure that there is open communication between the different functions and that the internal audit function evaluates the effectiveness of risk, compliance and finance functions as part of its internal audit plan;
- (h) receive a report on the results of the internal auditor's work on a periodic basis;
- (i) review and monitor management's responsiveness to the internal auditor's findings and recommendations; and
- (j) meet with the head of internal audit at least once a year, without the presence of management.

5.5 Financial Reporting

5.5.1 The Audit Committee shall:

- (a) monitor the integrity of the Group's financial statements, including its annual and interim reports, preliminary announcements and related formal statements, reviewing and reporting to the Board the significant financial reporting issues and judgements which they contain. Where practicable, the Audit Committee shall review summary financial statements, significant returns to regulators and announcements containing price sensitive financial information;
- (b) The Audit Committee shall review and challenge where necessary:
 - (i) the application and consistency of accounting policies both on a year on year basis and across the Group and any changes to them;
 - (ii) the extent to which the financial statements are affected by significant or unusual transactions and how they are disclosed and/or accounted for where different approaches are possible;
 - (iii) whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the auditors' views;
 - (iv) decisions requiring a major element of judgement;
 - (v) the clarity of disclosure in the Group's financial reports and the context in which statements are made;
 - (vi) significant adjustments arising from the audit;
 - (vii) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement including an assessment of the prospects of the Group as a whole looking forward over an appropriate and justified period; and
 - (viii) all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to audit and financial risk management, internal controls and longer term viability).
- (c) Where requested by the Board, the Audit Committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.
- (d) The Audit Committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.
- (e) Where the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

6. REPORTING RESPONSIBILITIES

- 6.1** The Audit Committee Chair shall report formally to the Board on its proceedings after each Audit Committee meeting and describe how it has discharged its responsibilities.
- 6.2** In the light of its other duties, the Audit Committee shall make whatever recommendations to the Board it deems appropriate.
- 6.3** The Audit Committee shall include within the annual report a description of the work of the Audit Committee and how it has discharged its responsibilities. This report, signed by the Audit Committee Chair, shall include:
- 6.3.1** a summary of the role and work of the Audit Committee;
 - 6.3.2** how the Audit Committee composition requirements have been addressed, and the names and qualifications of all members of the Audit Committee during the period, if not provided elsewhere;
 - 6.3.3** the number of Audit Committee meetings;
 - 6.3.4** how the Audit Committee's performance evaluation has been conducted;
 - 6.3.5** an explanation of how the Audit Committee has assessed the effectiveness of the external audit process and of the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted; and advance notice of any retendering plans;
 - 6.3.6** if the external auditor provides non-audit services, the Audit Committee's policy for approval of non-audit services; how auditor objectivity and independence is safeguarded; the audit fees for the statutory audit of the Company's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; and for each significant engagement, or category of engagements, explain what the services are and why the Audit Committee concluded that it was in the interests of the Company to purchase them from the external auditor;
 - 6.3.7** an explanation of how the Audit Committee has assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business;
 - 6.3.8** the significant issues that it considered in relation to the financial statements and how these were addressed, having regard to matters communicated to it by the auditors; the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; and where the Group's audit has been reviewed by the FRC's Audit Quality Review Team, the Audit Committee should discuss the findings with their auditors and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions they and the auditors plan to take. This discussion should not include disclosure of the audit quality category; and
 - 6.3.9** any other issues on which the Board has requested the Audit Committee's opinion.

7. AUTHORITY

The Audit Committee is authorised by the Board:

- 7.1** to seek any information it requires from any employee, consultant and other provider of services to the Group (for example, solicitors, tax advisers, management consultants) in order to perform its duties and such advisers may attend meetings as necessary;
- 7.2** to obtain, at the Group's expense, independent legal or other professional advice on any matter within its terms of reference.
- 7.3** to investigate any activity within its terms of reference.
- 7.4** to call any employee to be questioned at a meeting of the Audit Committee as and when required.
- 7.5** to publish in the Group's Annual Report details of any issues that cannot be resolved between the Audit Committee and the Board.

8. ANNUAL GENERAL MEETING

The Audit Committee Chair shall attend each annual general meeting of Record plc prepared to respond to any shareholder questions on the separate section of the Annual Report describing the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

9. OTHER MATTERS

- 9.1** The Audit Committee shall oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.
- 9.2** The Audit Committee shall, on an annual basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness, and make any appropriate recommendations to the Board.
- 9.3** The Audit Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on-going training for existing members.
- 9.4** The Audit Committee shall give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the Financial Conduct Authority's Listing Rules as appropriate.
- 9.5** The Audit Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 9.6** The Audit Committee shall work and liaise as necessary with all other Board Committees.
- 9.7** The Audit Committee shall make available its terms of reference on the Group's website explaining clearly its role and authority delegated to it by the Board.



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