

## **STV Group plc**

### **Audit & Risk Committee Terms of Reference**

adopted by the Board on 20 August 2021

#### **1. Constitution**

- 1.1 The Committee is a sub-committee of the Board appointed in accordance with the Company's Articles of Association.
- 1.2 The Terms of Reference for the Committee are defined by the Board and may be amended by the Board at any time.

#### **2. Membership and Experience**

- 2.1. Members of the Committee will be appointed by the Board, on the recommendation of the Nomination Committee, and in consultation with the Committee Chairman.
- 2.2. In considering the composition of the Committee, the Nomination Committee and the Board shall have regard to ensuring there is a range of skills, experience, knowledge and professional qualifications and that as a whole, the Committee has competence relevant to the sector in which the Company operates.
- 2.3. The Committee will comprise at least three members, all of whom will be independent non-executive directors. At least one of the members will have recent and relevant financial experience, ideally with a qualification from a professional accountancy body. Committee members will be appointed following consultation with the Committee Chair.
- 2.4. The Board shall appoint the Committee Chairman from amongst the independent non-executive directors. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 2.5. Appointments to the Committee will be for a period of up to three years, which may be extended for two further three-year periods, subject to review of Committee effectiveness and confirmation of independence.

#### **3. Secretary**

- 3.1. The Company Secretary or their nominee will act as the Secretary of the Committee and will ensure that the Committee received information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### **4. Quorum**

- 4.1. The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the 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 Committee.

#### **5. Attendance at Meetings**

- 5.1 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Chief Financial Officer, other directors, as well as representatives from the finance function, internal auditors and external auditors may be invited to attend all or part of any meeting as and when appropriate.

- 5.2 There should be at least one meeting, or part thereof, each year where the external auditors attend without management present.
- 5.3 There should be at least one meeting, or part thereof, each year where the internal auditors attend without management present.

## **6. Frequency of Meetings**

- 6.1. The Committee shall meet at least three times a year, scheduled to coincide with key points in the financial reporting cycle, and otherwise as required.

## **7. Authority**

- 7.1 The Committee is authorised by the Board to:
- (i) investigate any activity within its terms of reference;
  - (ii) seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Committee; and
  - (iii) obtain outside legal or independent advice and such advisers may attend meetings as necessary.

## **8. Duties**

The duties of the Committee are:

### **8.1. Financial Reporting**

- 8.1.1. The Committee will monitor the integrity of the financial statements of the group, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance. The Committee shall also review summary financial statements, and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 8.1.2. The Committee will review and challenge where necessary:
- 8.1.2.1 the consistency of, and any changes to, critical accounting policies and practices;
  - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible, and the level of related disclosure;
  - 8.1.2.3 decisions involving a significant level of estimate and/or judgement, taking into account the views of the external auditor;
  - 8.1.2.4 the clarity and completeness of disclosure and the context in which statements are made;
  - 8.1.2.5 the findings of the external auditor, including any major issues which arose during the course of the audit or review, key accounting and audit judgements, and the levels of errors identified during the audit (obtaining explanations from management) as well as the extent to which they remain unadjusted in the financial statements;
  - 8.1.2.6 the appropriateness of adoption of the going concern basis of accounting and the existence of any material uncertainties that might impact the company's ability to continue in operation, over a period of at least 12 months from the

date of approval of the financial statements, and its disclosure in the annual report and accounts;

- 8.1.2.7 the appropriateness of the financial modelling, stress testing and related assumptions underpinning the long-term viability statement, and its disclosure in the annual report and accounts;
  - 8.1.2.8 compliance with financial reporting standards and relevant financial and governance reporting requirements, following its review of related information presented with the financial statements, including the strategic report and corporate governance statements relating to the audit and risk management; and
  - 8.1.2.9 compliance with Stock Exchange and other legal requirements for financial reporting
- 8.1.3 where requested by the board, provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

## 8.2. **Internal Controls and Risk Management Systems**

The Committee will (on behalf of the Board which retains overall responsibility for internal controls and risk management systems):

- 8.2.1. robustly assess the systems/processes through which the group's principal risks and related mitigating controls are reviewed and updated, managed and/or mitigated, and (at least annually) report to the Board that such a review has taken place;
- 8.2.2. monitor the adequacy and effectiveness of the group's internal financial controls, financial reporting and financial risk management systems, taking into consideration the work undertaken by both internal and external audit in relation to the operational effectiveness of matters related to risk and control and, at least annually, carry out a formal review of these and report to the Board that such review has taken place; and
- 8.2.3. review the Company's statement on internal control systems and risk management to be included in the Annual Report, prior to endorsement by the Board.

## 8.3. **Whistleblowing, Fraud and Bribery**

The Committee will:

- 8.3.1 review the group's **whistleblowing** arrangements through which employees can raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee will ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action. The Committee will receive and review all reports relating to any matter raised by employees under the whistleblowing policy.
- 8.3.2 review the group's procedures for detecting and investigating **fraud** and receive reports on any such investigations.
- 8.3.3 review the Company' systems and controls for the prevention and investigation of allegations of **bribery** and receive reports on any such allegations and investigations.

#### 8.4. **Internal Audit**

The Committee will:

- 8.4.1. regularly review the need for establishing an internal audit function;
- 8.4.2. monitor and assess the role and effectiveness of the internal auditor in the overall context of the group's risk management system and, where necessary, approve the appointment and removal of the internal auditor;
- 8.4.3. review and approve the annual internal audit plan, ensuring it is aligned to the key risks of the business, and that it includes the risk, compliance and finance functions as appropriate;
- 8.4.4. review all reports prepared by the internal auditor, and give full consideration to the responses of management and their implementation of recommendations; and
- 8.4.5. undertake an annual assessment of the effectiveness of internal audit, confirming that it is satisfied that the quality, experience and expertise of the function is appropriate for the business.

#### 8.5. **External Audit**

The Committee is responsible for overseeing the company's relations with the external auditor.

##### ***Appointment and tendering***

The Committee will:

- 8.5.1. have primary responsibility for the appointment of the auditor, including negotiation of fees, the scope of the audit, initiation of a tender process, influencing the appointment of an engagement partner and making formal recommendations to the Board, to be put to shareholders for approval at the AGM, on the appointment, re-appointment and removal of the external auditor.
- 8.5.2. take responsibility for the selection process for the appointment of the external audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals during the process.
- 8.5.3. assess annually, and report to the Board on, the qualification, expertise and resources, and independence of the external auditors and the effectiveness of the audit process. This assessment will cover all aspects of the audit service provided by the external auditors.
- 8.5.4. investigate the issues giving rise to the resignation of the external auditor and consider whether any action is required.

##### ***Terms and remuneration***

The Committee will:

- 8.5.5. approve the terms of engagement and the remuneration to be paid to the external auditor in respect of audit services provided and will satisfy itself that the level of fee payable is appropriate and sufficient to enable an effective, high quality audit to be conducted.
- 8.5.6. review and agree the engagement letter at the start of each audit, ensuring it has been updated to reflect any changes in circumstances arising since the previous year.

## ***Independence, including the provision of non-audit services***

The Committee will:

- 8.5.7. assess annually the independence and objectivity of the external auditor, taking into consideration relevant UK law, regulation, the Ethical Standard and other professional requirements. The Committee will make such enquiries of the external auditor as necessary to satisfy itself that there are no relationships between the auditor and the group (other than in the ordinary course of business) that appear to impair the auditor's independence and objectivity.
- 8.5.8. Monitor the external audit firm's compliance with the Ethical Standard, including requirements for external audit partner rotation, the level of fees that the company pays in proportion to the overall fee income of the firm, or relevant part of it, and other related regulatory requirements.
- 8.5.9. agree with the Board the company's policy for the employment of former employees of the external auditor, considering the Ethical Standard and legal requirements, and monitor the implementation of this policy.
- 8.5.10. approve the auditors' remuneration, whether fees for audit or non-audit services and determine that the level of fees is appropriate to enable an adequate audit to be conducted.
- 8.5.11. develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the external auditor, considering the Ethical Standard and legal requirements, and keep the policy under review.
- 8.5.12. Approve all non-audit services to be provided by the external auditor, with the objective of ensuring that the provision of any such non-audit service does not impair the external auditor's independence or objectivity. The Committee will assess (i) potential threats to independence and objectivity resulting from provision of such service and any safeguards in place; (ii) the nature of the non-audit service; (iii) whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit service; (iv) the fees to be incurred for non-audit services, individually and in aggregate, relative to the audit fee; and (v) the criteria that govern the compensation of individuals performing the audit.

## ***Annual audit cycle***

The Committee will:

- 8.5.13. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage.
- 8.5.14. review and approve the annual audit plan, including planned levels of materiality and proposed resources to execute the audit plan, appears consistent with the scope of the audit engagement, having regard also to the seniority, expertise and experience of the audit team.
- 8.5.15. review with the external auditors the findings of their work and the auditor's report, including (i) any incidence of major issues that arose during the course of the audit and the extent to which they remain unresolved; (ii) the evidence they received in relation to each of the areas of significant judgement; (iii) the auditor's perception of their interactions with senior management and other members of the finance team; and (iv) the nature and extent of any errors identified during the audit, including whether any remain unadjusted.

- 8.5.16. review any representation letter(s) requested by the external auditor before they are signed by management, with a particular focus on non-standard representations that have been requested.
- 8.5.17. review the management letter and management's response to the auditor's findings and recommendations; and
- 8.5.18. annually assess the effectiveness of the external audit process, including the expertise and resources of the external auditor, and receive a report from the auditor on their own internal quality procedures.

## **8.6. Reporting Responsibilities**

- 8.6.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, including (i) the significant issues that it considered in relation to the financial statements and how they were addressed; (ii) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor, as appropriate; and (iii) any other issues on which the Board has requested the Committee's opinion.
- 8.6.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.6.3. The Committee shall compile a report to shareholders on its activities to be included in the group's Annual Report and Accounts.
- 8.6.4. The Chair of the Committee will be present at the AGM to answer any questions on the separate section of the annual report describing the Committee's activities and matters within the scope of the Committee's responsibilities.

## **9. Other Matters**

The Committee will:

- 9.1. have access to sufficient resources to carry out its duties, including access to the company secretary for assistance as required.
- 9.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- 9.3. have funds made available to it by the Board to enable it to take independent legal, accounting or other advice when the Committee reasonably believes it necessary to do so.
- 9.4. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate.
- 9.5. at least once a year, review its own performance, constitution, and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **10.Meeting Arrangements**

- 10.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Committee Chair.
- 10.2. Unless otherwise agreed, 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, along with supporting papers, in sufficient time to enable proper consideration of the papers.
- 10.3. Meetings can be held in person, by telephone call or video-conference.
- 10.4. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 10.5. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 10.6. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interest exists.

ENDS