

### Audit and Risk Committee terms of reference

#### **Purpose:**

The Audit and Risk Committee is a committee of the board of directors of the SRA (the Board).

The Board has overall responsibility for the company's strategic risk register, approach to risk management and internal control environment, as well as its budget, financial performance, value for money and efficiency.

The role of the Audit and Risk Committee is to provide assurance to the Board on matters within its terms of reference, including:

- The effectiveness of systems to identify and manage risk.
- The effectiveness and independence of the internal and external audit processes.
- The effectiveness of systems of internal control
- The integrity of the company's financial statements and management accounts.

In carrying out its role the committee shall ensure that it is promoting best practice in accordance with the UK Corporate Governance Code, as published from time to time.

The committee's work is dependent on frank, open and respectful relationships with the Board, the executive and with internal and external auditors. In turn, all parties must be prepared to make information freely available to the committee, and to talk through issues openly.

#### **Duties**

##### *Risk Management*

- To review the processes in place to provide assurance that:
  - Strategic risks are appropriately captured
  - Effective mechanisms for the management of risk are in place

##### *External audit*

- to oversee the selection process for the company's external auditor
- make recommendations to the Board regarding the appointment, reappointment and removal of the external auditor and their remuneration
- to agree, before each audit commences, the nature and scope of the audit
- to assess annually the qualification, expertise and resources, and independence of the external auditor
- to assess annually the effectiveness of the audit process
- to review the external auditor's management letter and management's response

##### *Internal controls and internal audit*

- to review the effectiveness of the SRA's internal control environment
- to monitor and review the effectiveness and independence of the internal audit arrangements including:
  - approving the internal audit coverage and plan annually
  - reviewing all internal audit reports relating to the SRA, and monitoring implementation of agreed actions arising from such reports

- ensuring that the internal auditor has direct and – where appropriate – private access to the committee
- to review anti-fraud, bribery and whistleblowing policies and to ensure effective arrangements are in place to investigate any reports of financial impropriety or otherwise made under those policies

#### *Financial Reporting*

- to review the actions and judgements of management in relation to the annual financial statements, including critical policies and practices and compliance with accounting standards

Ensure that the systems for financial reporting to the Board, including budgets and long-term financial plans are subject to review as to completeness and accuracy.

#### *Decision-making*

The committee will normally meet four times a year.

The Committee shall be comprised of four members who shall be members of the SRA board, and shall generally sit with the Chief Executive of the SRA and its Executive Director of Resources in attendance.

Quorum for the committee is two members.

#### *Review*

The committee shall, at least annually, review its own performance, constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.

#### *Reporting*

The committee shall provide an annual report to the Board on the work it has carried out in the period, and the results of its review of its performance, constitution, and terms of reference as above.

The committee shall provide a description of its work in the annual report, including information in line with legal and regulatory requirements.

## Remuneration/Nominations terms of reference

### **Purpose**

The Remuneration Committee is a committee of the board of directors of the SRA (the Board).

The role of the Remuneration Committee is to advise the Board on policies relating to the remuneration of non-executive Board Members, committee members, and the Executive Team.

Policies should be designed to promote the values and standards of the organisation and to support the sustainable delivery of its strategic objectives.

The committee also has a Nominations Committee role, when chaired by the Chair of the Board, in overseeing matters relating to the appointment, reappointment and removal of non-executive directors, and the Chief Executive.

For the avoidance of doubt, neither the Board Chair nor any other director, will be involved in decisions which relate solely to their individual remuneration package. To the extent that committee members are involved in discussions or decisions regarding policies or processes which affect their role or remuneration, these must be objective and evidence-based and reasons must be fully reflected in the minutes.

### **Duties**

#### *Remuneration, terms and conditions of the Board of Directors*

- to determine and to keep under review the policy for Board directors' remuneration
- to determine the total individual remuneration package for the Board chair, and non-executive directors (including any additional provision for the Senior Independent Director and committee Chairs)
- to determine the performance management and appraisal framework for Board directors.

#### *Remuneration, terms and conditions of the Executive*

- to ensure that an assessment of talent management and succession planning takes place for the Chief Executive and the senior management team.
- to determine the pay policy, terms and conditions and remuneration framework for the Chief Executive and the senior management team.
- to determine the performance management and appraisal framework for the Chief Executive and senior management team, and ensure that any award of bonus and incentive payments take place within the agreed framework.

#### *Nominations*

- to oversee the policies and processes for the appointment, reappointment and removal of non-executive directors
- to advise the Chair of the Board on the selection criteria for non-executive director appointments
- to advise the Chair on the reappointment of non-executive directors
- to design and administer the process for the appointment of the Board Chair

- to convene an appointment panel as required for non-executive director and Chair appointments
- to design and administer the process for the appointment of the Chief Executive.

*Decision-making*

The Committee shall normally meet up to two times a year.

The Committee shall be comprised of three members who shall be members of the SRA board, and shall generally sit with the Chief Executive of the SRA and its Executive Director of Resources in attendance.

Quorum for the Committee shall be three members. If it is not possible for the Committee to sit with three members, decisions can be taken in principle at the meeting if ratified by the third member afterwards.

*Review*

The committee shall, at least annually, review its own performance, constitution and terms of reference and recommend any changes it considers necessary to the Board for approval.

*Reporting*

The committee shall provide an annual report to the Board on the work it has carried out in the period, and the results of its review of its performance, constitution, and terms of reference as above.

The committee shall provide a description of its work in the annual report, including information in line with legal and regulatory requirements.