

# Finance Committee Terms of Reference

## 1 Membership

1.1 The committee shall comprise at least three members. The committee shall include where possible, one member of the remuneration committee. Members of the committee shall be appointed by the board.

1.2 All members of the committee shall be independent non-executive directors and the chairman of the board shall not be a member of the committee.

1.3 Only members of the committee have the right to attend committee meetings. However, other individuals (such as the Finance Director, external audit lead person or company employees) may be invited to attend meetings of the committee when appropriate and necessary.

1.4 The board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

## 2 Secretary

2.1 The company secretary, or their nominee, shall act as the secretary of the committee and will ensure that 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 two members.

## 4 Frequency of meetings

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

4.2 Outside of formal meetings, the committee chairman, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the company's governance, including the board chairman, the chief executive, the company secretary/finance director, and the external audit lead person.

## 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 or at the request of the external audit lead person if they consider it necessary.

5.2 Unless otherwise agreed by the committee, notice of each meeting confirming the venue (face to face or video conference), time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.

5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## 6 Minutes of meetings

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

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

## **7 Annual general meeting**

7.1 The committee chairman may attend the annual general meeting to answer shareholder questions. This will only be if required as this is normally done by the finance director and auditors.

## **8 Duties**

### **Financial**

#### *8.1 Financial reporting*

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and quarterly reports, interim management statements, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

8.1.2, 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, considering the external auditor's views on the financial statements; and

8.1.2.4 All material information presented with the financial statements, including any strategic report and any corporate governance statements relating to the audit and to risk management.

8.1.3 Where the committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the board.

8.1.4 Confirm the company's annual accounts are fully completed, signed off by the auditors, approved by the board and are ready to be presented to its members for their approval.

#### *8.2 Narrative reporting*

8.2.1 Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it provides the relevant information to assess the company's performance, and is fair, balanced, and understandable.

#### *8.3 Internal processes, controls, and risk management systems*

8.3.1 The committee shall keep under review all the company's internal financial process, controls and risk management systems that identify, assess, manage, and monitor financial activities, and review and approve any statements to be included in the annual report concerning these areas.

#### *8.4 Compliance, whistleblowing, and fraud*

8.4.1 The committee shall review the adequacy of the company's arrangements for its employees 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;

8.4.2 The committee shall review any company systems/controls/procedures for: detecting fraud; the prevention of bribery and receive reports on non-compliance; anti-money laundering; and any compliance function.

#### *8.5 External audit*

The committee shall:

8.5.1 Consider, oversee the selection process, and make recommendations to the board, in relation to the appointment, re-appointment and removal of the company's external auditor;

8.5.2 Approve the auditors' terms and the scope of their engagement, including their remuneration, ensuring the fee is appropriate for the level of income of the company;

8.5.3 Assess annually the external auditor's independence and objectivity considering relevant UK law and regulation, and satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect this;

8.5.4 Assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;

8.5.5 Develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor;

8.5.6 Meet at least once a year with the external auditor without management being present, to discuss the auditor's remit and the findings and any issues arising from the audit;

8.5.7 Review any representation letter(s) requested by the external auditor before they are signed by management;

8.5.8 Review the management letter and management's response to the auditor's findings and recommendations;

8.5.9 Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

### **Risk**

#### *8.6 Risk*

The committee shall:

8.6.1 Review and monitor the company's future risk strategy and its risk appetite, in particular, in relation to capital, liquidity and operational risk, ensuring any relevant regulatory policies are considered, and make recommendations on risk appetite to the Board;

8.6.2 Identify the need for, review and approve the company's credit limit framework and or credit limit application; and review and approve individual counterparty exposures above any exposure limits;

8.6.3 Review and assess the design, completeness and effectiveness of any risk management approach/risk management framework and reporting that are relative to the company's activities including those that would threaten its business model, future performance, solvency or liquidity;

8.6.4 Perform an annual review of the Risk Register to review companywide risks and feedback any required changes to Management;

8.6.5 Satisfy itself that any material risks to the business plan and any related capital implications are adequately identified and assessed as part of the business planning process, and that appropriate mitigations, management actions and contingency plans are in place;

8.6.6 Review the policy and or/methodology and assumptions used for determining the company's capital/reserve/cash requirements; and satisfy itself that the assumptions used reflect the forward-looking risk profile;

8.6.7 Review and approve any risk policies and any material changes made to these; and monitor any reports on compliance with these and Management's actions to remedy any breaches;

8.6.8 Appraise any strategic or significant transactions due to be proposed to the Board before the Board takes a decision whether to proceed, focusing in particular that the implications on the capital and liquidity risk appetite and tolerance of the company are considered;

8.6.9 Work with the Remuneration Committee to ensure that risk management is properly considered in setting the overall remuneration policy for the company and its employees;

8.6.10 Consider other risk related topics and review the companies risk register, as referred to it from time to time by the Board.

## **9 Reporting responsibilities**

9.1 The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities. This report shall include any significant issues that it considered in relation to financial matters, risk management, external audit, as well as any other issues on which the board has requested the committee's opinion.

9.2 The committee shall compile a report on its activities to be included in the company's annual report.

9.3 In compiling the reports referred to in 9.1 and 9.3, the committee should exercise judgement in deciding which of the issues it considers are significant and should be included.

## **10 Other matters**

The committee shall:

10.1 Have access to sufficient resources and training in order to carry out its duties, including access to the company secretariat for assistance as required;

10.2 Work and liaise as necessary with all other board committees;

10.3 Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board.

10.4 Review the various insurances that the company have are adequate and the company has the required/necessary coverage in place.

## **11 Authority**

The committee is authorised to:

11.1 Seek any information it requires from any employee of the company, or call any employee to be questioned at a meeting of the committee as and when required, in order to perform its duties;

11.2 Obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

11.3 Have the right to publish in the company's annual report, details of any issues that cannot be resolved between the committee and the board.