

## **AUDIT AND RISK COMMITTEE TERMS OF REFERENCE**

### **1. ESTABLISHMENT AND DURATION**

- 1.1 The Board of Directors of Nominet UK (the "Company") hereby resolves to establish a Committee of the Board to be known as the Audit and Risk Committee (the "Committee").

### **2. MEMBERSHIP**

- 2.1 The Committee shall comprise of no fewer than three members, each being appointed by the Board. At least one member shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates and the principal risks it faces.
- 2.2 The Committee shall be formed of non-executive directors who are independent of management and free from any business or other relationship that could interfere with the exercise of their independent judgement. The Chair of the Board shall not be a member of the committee, but will be invited in an observer capacity.
- 2.3 Members of the Committee shall be appointed by the Board. The Board will appoint the Committee Chair.
- 2.4 The Committee shall have the power to require any member of management or external person to attend its meetings.

### **3. SECRETARY**

- 3.1 The Company Secretary (or his or her nominee) shall act as secretary of the Committee.

### **4. QUORUM**

- 4.1 The quorum necessary for the transaction of business shall be two.

### **5. MEETINGS**

- 5.1 The Committee shall meet at least three times a year and at such other times as the Chair of the Committee shall require.
- 5.2 All or any of the members of the Committee may participate in a meeting of the Committee by means of conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote and be counted in a quorum accordingly.
- 5.3 Decisions requiring to be made between meetings may be by email exchange provided all members of the Committee support the decision proposed.

### **6. NOTICE OF MEETINGS**

- 6.1 Meetings of the Committee shall be called by the Company Secretary at the request of the Chair of the Committee, or at the request of the external lead partner or head of internal audit if they consider it necessary.

## **7. MINUTES OF MEETINGS**

- 7.1 The Secretary shall minute the proceedings and decisions of the Committee meetings, including the names of those present and in attendance.

## **8. DUTIES**

The Audit and Risk Committee shall carry out the duties detailed below.

### **8.1 Financial Reporting:**

- 8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual and any periodic reports, any other formal statements relating to its financial performance, and review and report to the board as appropriate 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 auditors view on the financial statements
- 8.1.2.4 The clarity and completeness of disclosures in the financial statements and the context in which statements are made
- 8.1.2.5 All material information presented with the financial statements, including the 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.

### **8.2 Narrative reporting:**

- 8.2.1 The Committee shall review the content of the annual reports and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Nominet Members to assess the company's performance, business model and strategy.

### **8.3 Internal Control and Risk Management:**

The Committee shall:

- 8.3.1 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.
- 8.3.2 Review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks.
- 8.3.3 Commission reviews of specific controls and procedures (financial and non-financial) where so requested by the Board.

8.4 Compliance, speaking-up and fraud:

The Committee shall:

- 8.4.1 Review the adequacy and security of the company's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee will be notified of any whistleblowing incidents.

- 8.4.2 Annually review the company's policies and procedures in respect of:

- Whistleblowing
- Anti-bribery
- Data Protection
- Travel & Expenses for NEDs
- Sustainability
- Business Continuity
- Information Security
- Health & Safety
- Conflicts of Interest

- 8.4.3 Annually review the company's systems and controls for the prevention of fraud.

8.5 Internal & External Audit:

The Committee shall:

- 8.5.1 Review and approve 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.
- 8.5.2 Monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system and the work of compliance, finance and the external auditor.
- 8.5.3 Oversee the tendering and selection process in relation to the appointment of the company's independent external auditors.
- 8.5.4 Consider and make recommendations to the Board, to be put to Nominet Members for approval at the AGM, in relation to the appointment, reappointment and removal of the company's external auditor and:

- 8.5.4.1 Approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted
- 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
- 8.5.5 Assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, and other professional requirements including any threats to the auditor's independence and the safeguards applied to mitigate those threats
- 8.5.6 Review, on an annual basis, before the audit commences, approve the Audit Plan with particular reference to its nature and scope, emphasis and priorities.
- 8.5.7 Discuss any problems or reservations arising from the external auditors' work and any other matters that the external auditors may wish to bring to the attention of the Committee.
- 8.5.8 Review the external auditors' management letter together with management's written response before presentation to the Board.
- 8.5.9 Review the contents of any report issued by the external auditor along with management's written response, before its presentation to the Board and monitor the implementation of those external auditors' recommendations which are accepted by the Committee.
- 8.6 Corporate Governance:
  - 8.6.1 Review governing documents as requested by the Board, for example the Scheme of Delegation.
  - 8.6.2 Monitor Nominet's adherence to any relevant governance codes.
- 8.7 Investment Portfolio:
  - 8.7.1 Monitor investment performance including the performance of external Investments Managers, to ensure that returns are within acceptable limits;
  - 8.7.2 Consider the appointment of the external Investment Managers and associated investment fees.

## **9. REPORTING RESPONSIBILITIES**

- 9.1 The Chair of the Committee shall, unless otherwise instructed or agreed, report to each Board meeting on the proceedings of the Committee, or to the Board directly between meetings, if required.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **10. OTHER MATTERS**

The Audit and Risk Committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance, as required.
- 10.2 Arrange for a review of its own performance as appropriate and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **11. AUTHORITY**

- 11.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it reasonably requires from any employee and all employees are directed to co-operate with any reasonable request made by the Committee.
- 11.2 The Committee is authorised by the Board to obtain, in connection with its duties, and at the Company's expense, any outside legal or other independent professional advice it considers to be necessary.
- 11.3 The Committee is authorised by the Board to obtain appropriate and timely training, both in the form of an induction programme for new Committee members and on an ongoing basis.

<i>Audit &amp; Risk Committee Terms of Reference – Document Control</i>		
<i>23/11/2022</i>	<i>Audit Committee</i>	<i>Reviewed and approved</i>
<i>19/11/2024</i>	<i>Audit Committee</i>	<i>Review and approved</i>
<i>27/11/2024</i>	<i>The Board</i>	<i>Approved</i>