

Audit & Risk Committee – Terms of Reference

These are the terms of reference for the Ordnance Survey Limited Audit & Risk Committee (the **committee**) which is a committee of the Ordnance Survey Limited Board of Directors (the **Board**). The committee supports the Board in their responsibilities for issues of risk, control, and governance.

1. Purpose and Authority

- 1.1 The committee is responsible for the independent appraisal of OS's control environment, financial reporting, risk management and effectiveness of corporate governance, and for providing advice and challenge on risks that may adversely impact the company.

2. Membership

- 2.1 The committee shall comprise at least three members, two of whom shall be independent non-executive directors, and one of whom shall be the Shareholder NED. The committee shall include at least one member of the remuneration committee. 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. The Chair of the Board shall not be a member of the committee but may attend the committee.
- 2.2 Members of the committee shall be appointed by the Board, on the recommendation of the Nomination Committee which shall consult with the Chair of the committee. Appointments for membership of the committee shall be reviewed and made by the Board on an annual basis.
- 2.3 Only members of the committee have the right to attend committee meetings. However, the Chief Executive Officer, Chief Financial Officer, Chief Technology Officer, Chair of the Board, Head of Risk & Assurance, General Counsel, , and a representative from External Audit will be invited to attend all meetings. The committee may ask any or all of those who normally attend but who are not members to withdraw to facilitate open and frank discussion of particular matters.
- 2.4 The Board shall appoint the committee Chair and shall identify a deputy committee Chair to act in the Chair's absence. In the absence of the committee Chair and the deputy committee Chair, the remaining members present shall elect one of themselves to chair the meeting.

3. Secretary

- 3.1 A Senior Auditor 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.

4. Quorum

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

5. Frequency of meetings

- 5.1 The committee shall meet four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meeting programme, the committee Chair, 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 Chair, the Chief Executive Officer, the Chief Financial Officer, the External Auditors, and the Head of Risk & Assurance.

6. Notice of meetings

- 6.1 Meetings of the committee shall be called by the secretary of the committee at the request of the committee Chair or any of its members, or at the request of the External Auditors or Head of Risk & Assurance if they consider it necessary.
- 6.2 Unless otherwise agreed by the committee, 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 no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.
- 6.3 Notices, agendas and supporting papers will be provided via secure electronic means, typically via the Board and committee portal.

6.3.1 For each meeting the committee will be provided with:

6.3.1.1 a report summarising any significant changes to the organisation's strategic risks and a copy of the strategic/corporate Risk Register;

6.3.1.2 a progress report from the Head of Internal Audit summarising: work performed (and a comparison with work planned), key issues emerging from the work of internal audit, management response to audit recommendations, changes to the agreed internal audit plan; and any resourcing issues affecting the delivery of the objectives of internal audit;

6.3.1.3 a progress report (written/verbal) from the External Audit representative summarising work done and emerging findings (this may include, where relevant to the organisation, aspects of the wider work carried out by the NAO, for example, Value for Money reports and good practice findings);

6.3.1.4 management assurance reports;

6.3.1.5 reports on the management of major incidents, 'near misses' and lessons learned.

6.3.2 As and when appropriate the committee will also be provided with the internal audit strategy, the Head of Risk & Assurance Annual Opinion and Report, quality assurance reports on the internal audit function, a report on any proposals to tender for audit functions, a report on co-operation between internal and external audit; and OS Risk Management strategy.

7. Minutes of meetings

- 7.1 The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.
- 7.2 Draft minutes of committee meetings shall be agreed with the committee Chair and then circulated promptly to all members of the committee, unless exceptionally, it would be inappropriate to do so in the opinion of the committee Chair.

8. Duties

The committee should have oversight of the OS Group as a whole, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings, and the group as a whole, as appropriate. OS Group – for the purposes of this document means Ordnance Survey Limited, and all of its wholly owned subsidiary entities (such as Ordnance Survey Leisure Limited and Ordnance Survey International Services Limited) together with any entities in which Ordnance Survey Limited has a shareholding or partnership share of more than 50%. The committee should also have oversight of GeoPlace LLP for material and financial impact.

8.1 **Financial reporting**

8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual report 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 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 auditor's views 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 the 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**

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 is true and fair, and understandable and provides the information necessary for the Shareholder to assess the company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters.

8.3 **Internal controls and risk management systems**

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, and the viability statement.

8.4 **Compliance, whistleblowing, and fraud**

The committee shall:

8.4.1 Review the adequacy and security of the company's arrangements for its employees and contractors and external parties 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 Review the company's procedures for detecting fraud and ensure these arrangements are appropriate.

8.4.3 Review the company's systems and controls for the prevention of bribery, ensure these arrangements are appropriate and receive reports on non-compliance.

8.5 **Internal audit**

The committee shall:

8.5.1 Approve the appointment or termination of the Head of Risk & Assurance.

8.5.2 Review and approve the role and mandate of internal audit, monitor, and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the company.

8.5.3 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.

8.5.4 Ensure that the internal audit function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors.

8.5.5 Ensure the Head of Risk & Assurance, together with members of the internal audit team and representatives of External Audit have direct and confidential access to the Board Chair and to the committee Chair, providing independence from the executive and accountability to the committee.

8.5.6 Carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:

8.5.6.1 meet with the Head of Risk & Assurance without the presence of management to discuss the effectiveness of the function;

8.5.6.2 review and assess the annual internal audit work plan;

8.5.6.3 receive a report on the results of the internal auditor's work;

8.5.6.4 determine whether it is satisfied that the quality, experience, and expertise of internal audit is appropriate for the business;

8.5.6.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.

8.5.7 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.

8.5.8 Consider whether an independent, third-party review of processes is appropriate.

8.6 External audit

The committee shall

8.6.1 Comply with its obligations under the Shareholder Framework Document with respect to the role of the auditor, and, within the context of the Framework Document, consider and make recommendations to the Board in relation to the appointment, re-appointment, and removal of the company's external auditors.

8.6.2 Oversee the relationship with the external auditor. In this context the committee shall monitor 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.

8.6.3 Assess annually the external auditor's independence and objectivity considering relevant law, regulation, the FRC's Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.

8.6.4 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 the auditor's independence and objectivity.

8.6.5 Monitor and make recommendations to the Board as required on any proposed employment of former employees of the company's auditor, considering the Ethical Standard and legal requirements, and monitor the application of this policy.

8.6.6 Monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements, and the Ethical Standard, including the guidance on the rotation of audit partner and staff.

8.6.7 Assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process.

8.6.8 Seek to ensure coordination of the external audit with the activities of the internal audit function.

8.6.9 Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee.

8.6.10 Monitor and make recommendations to the Board as required on the provision of non-audit services by the external auditors, including prior approval of non-audit services by the committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements.

8.6.11 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.

8.6.12 Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise, and experience of the audit team.

8.6.13 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.6.13.1 a discussion of any major issues which arose during the audit;

8.6.13.2 the auditor's explanation of how the risks to audit quality were addressed;

8.6.13.3 key accounting and audit judgements;

8.6.13.4 the auditor's view of their interactions with senior management;

8.6.13.5 levels of errors identified during the audit.

8.6.14 Review any representation letter(s) requested by the external auditor before it is (they are) signed by management.

8.6.15 Review the management letter and management's response to the auditor's findings and recommendations.

8.6.16 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.

9. Reporting responsibilities

9.1 The committee Chair shall verbally report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report to the Board on how it has discharged its responsibilities.

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.

9.3 The committee will provide the Board and Chief Executive Officer with an annual report, timed to support finalisation of the accounts and the governance statement, summarising its conclusions from the work it has done during the year.

10. Other matters

The committee shall:

10.1 Have access to sufficient resources to carry out its duties, including access to the company secretariat for advice and assistance as required.

10.2 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.

10.3 Give due consideration to laws, regulations, and any best practice/published guidelines on audit and risk committees including the UK Corporate Governance Code and *Managing Public Money* and other HM Treasury guidance issued from time to time.

10.4 Oversee any investigation of activities which are within its terms of reference.

- 10.5 Work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- 10.6 Ensure that a periodic evaluation of the committee's performance is carried out.
- 10.7 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 for approval.

11. Authority

The committee is authorised to

- 11.1 Seek any information it requires from any employee of the company 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 Call any employee to assist with providing information to the committee as and when required.
- 11.4 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. If the Board has not accepted the committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the committee's recommendation and the reasons why the Board has taken a different position.

