

## AUDIT AND GOVERNANCE 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 Governance Committee (the "Committee").

### 2. Scope and remit

- 2.1 The Committee shall monitor on the Board's behalf the appropriate processes and controls resulting from policies set by the Board; this will include particular focus on:
  - (a) The scope, results and effectiveness of the external and internal audit;
  - (b) Careful review of any non-audit services provided by the external auditors;
  - (c) Effectiveness of the processes of governance;
  - (d) Oversight of any conflicts of interest policies;
  - (e) Effectiveness of spend/ value for money;
  - (f) Compliance with policy and statutory requirements;
  - (g) Internal controls including adherence to policy; and
  - (h) Safeguarding of assets.
- 2.2 The Committee will depend on reporting from the Finance department, external audit and other reporting from management or from external advisers as appropriate in order to achieve this.

### 3. Membership

- 3.1 The Committee shall comprise of no fewer than three members, each being appointed by the Board.
- 3.2 The Committee shall be formed of non-executive directors and/or the Chair of the Company who are independent of management and free from any business or other relationship that could interfere with the exercise of their independent judgement.
- 3.3 The Board should appoint the Committee Chair and determine the period for which they shall hold office. The Chair of the Company shall not be eligible to be appointed as Committee Chair.
- 3.4 The Committee shall have the power to require any member of senior management to attend its meetings. Other persons, such as the Director of Finance, may also be called upon by the Chair of the Committee to attend or to speak.

### 4. Secretary

- 4.1 The Company Secretary (or his or her nominee) shall act as secretary of the Committee and will ensure will ensure that members and attendees receive information and papers in a timely manner to enable full and proper consideration to be give to the issues.

### 5. Quorum

- 5.1 The quorum necessary for the transaction of business shall be two.
- 5.2 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 or exercisable by the Committee.

### 6. Meetings

- 6.1 The Committee shall meet twice a year and at such other times as the Chair of the Committee shall require.

- 6.2 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.
- 6.3 Decisions requiring to be made between meetings may be by email exchange provided a simple majority of the Committee supports the decision proposed.

## **7. Notice of meetings**

- 7.1 Meetings of the Committee shall be called by the Chair of the Committee, or by request of the Board.
- 7.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forward to each member of the Committee and any other person required to attend, no fewer than five working days before the date of the meeting, unless agreed otherwise with Committee Chair. Supporting papers, and remote access arrangements if required, shall be sent to Committee members and to other attendees at the same time.

## **8. Minutes of meetings**

- 8.1 The Secretary shall minute the proceeding and resolutions of the Committee meetings, including the names of those present and in attendance.
- 8.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved the minutes should be circulated to all other members of the Board.

## **9. Annual General Meeting**

- 9.1 The Chair of the Committee or, by agreement of the Committee, his or her nominee shall attend the Annual General Meeting prepared to respond to any member questions on the Committee's activities.
- 9.2 The Committee shall report the frequency of, and attendance by members at, Committee meetings in the annual reports.

## **10. Duties**

The Audit and Governance Committee should carry out the duties detailed below;

### 10.1 Corporate Governance:

- 10.1.1 To support the Board in reviewing the effectiveness of Nominet's processes of corporate governance to enable the organisation to implement best practice as set out in appropriate guidance where possible and appropriate (e.g. Combined Code).

### 10.2 Internal Control:

- 10.2.1 To commission reviews of specific controls and procedures (financial and non-financial) where so requested by the Board.
- 10.2.2 Compliance with external legislation and internal policies:
- 10.2.3 To review adherence to management policies and directives.
- 10.2.4 To verify that mechanisms are in place to ensure compliance with statutory requirements, financial and other.

### 10.3 Financial Statements:

- 10.3.1 To review the annual report and accounts before submission to the Board, focusing particularly on:
- a) Any changes in accounting policies and practices
  - b) Major judgemental areas
  - c) Significant adjustments arising from the audit
  - d) The going concern assumption
  - e) Compliance with accounting standards
  - f) Compliance with legal requirements
  - g) Any presentational issues having particular significance to the public perception of the organisation.
- 10.3.2 To receive during the course of the year reports on any matters that may impact on the accounts and disclosure therein.

### 10.4 External Audit:

- 10.4.1 To consider the appointment and performance of the external auditor, the audit fee, and any questions of resignation or dismissal.
- 10.4.2 To discuss with the external auditor the long term approach to the audit of Nominet. On an annual basis, before the audit commences approve the Audit Plan with particular reference to its nature and scope, emphasis and priorities.
- 10.4.3 To 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.
- 10.4.4 To review the external auditors' management letter together with management's written response before presentation to the Board.
- 10.4.5 To 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.

### 10.5 Risk:

- 10.5.1 To review the effectiveness of systems for the assessment and management of material areas of risk within Nominet and monitor their maintenance and development.
- 10.5.2 The Chair will report to the Board as appropriate on the areas covered by the above terms of reference.

### 10.6 Whistleblowing and Fraud:

- 10.6.1 To review the Company's arrangements for its employees 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.
- 10.6.2 To review the Company's procedures for detecting fraud.

## **11. Reporting Responsibilities**

- 11.1 The Chair of the Committee shall, unless otherwise instructed or agreed, be prepared to report to each Board meeting on the proceedings of the Committee, or to them directly between meetings, if required.

11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.3 The Committee shall compile a report on its activities to be included in annual report.

## **12. Other Matters**

The Audit and Governance Committee shall:

12.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance, as required.

12.2 Arrange for a review of its own performance 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.

## **13. Authority**

13.1 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.

13.2 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.

13.3 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.

*Approved by the Board in November 2015.*