



**SCOTTISH RUGBY LIMITED**

**TERMS OF REFERENCE**

**OF THE**

**AUDIT & RISK COMMITTEE**

**OF**

**THE BOARD OF DIRECTORS**

**APPROVED BY THE BOARD, AS AMENDED, WITH EFFECT ON 19 OCTOBER 2023**

**SCOTTISH RUGBY LIMITED  
AUDIT AND RISK COMMITTEE**

**TERMS OF REFERENCE**

**1. Definitions**

In these Terms of Reference, the terms listed below shall, where used, have the meanings ascribed to them:

<b>“Annual Report”</b>	means any annual report prepared and published by the Company in relation to the Company’s business, affairs and activities and which may include the Financial Statements and information (including financial information) provided by or applicable to SRU;
<b>“Board”</b>	means the board of directors of the Company;
<b>“Committee”</b>	means the Audit & Risk Committee of the Board;
<b>“Company”</b>	means Scottish Rugby Limited, a private company limited by shares with registered number SC132061, having its registered office at Murrayfield Stadium, Edinburgh, EH12 5PJ and, for the purposes of these Terms of Reference, includes its wholly or majority owned subsidiaries which together constitute a group of companies for the purpose of financial or legal reporting;
<b>“Financial Statements”</b>	means any interim and annual financial statements of the Company;
<b>“SRU”</b>	means Scottish Rugby Union, a company limited by guarantee, with registered number SC748672 and having its registered office at Murrayfield Stadium, Edinburgh, EH12 5PJ.

**1 Constitution**

- 1.1 The Board has resolved to establish the Committee under and as permitted by the Company’s Articles of Association.
- 1.2 In addition to its powers and responsibilities under the Companies Acts, common law and under its Articles of Association, the Company also exercises certain powers delegated to the Company by SRU under SRU’s Articles of Association, which in turn may be delegated by the Board to the Committee under the Company’s Articles of Association.
- 1.3 These Terms of Reference and the role and responsibilities of the Committee under them shall:
  - 1.3.1 extend to the Company itself as well as to the exercise of powers provided for or delegated to the Company by SRU generally; but
  - 1.3.2 **not** extend to the activities or financial or legal reporting of SRU itself, unless specifically delegated.

## **2 Membership**

- 2.1 The Committee shall be appointed from among the non-executive Directors of the Company and who are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.
- 2.2 The Committee shall consist of at least two members, with a quorum being two members.
- 2.3 The Chair of the Committee shall be appointed by the Board. If by 15 minutes after the scheduled time of commencement of the meeting the Chair is not present, another member of the Committee may act as Chair temporarily, until the arrival of the Chair, provided that the meeting is otherwise quorate.

## **3 Attendance and Business at Meetings**

- 3.1 Only members of the Committee shall be entitled to attend the Committee's meetings. The following individuals shall normally be invited to attend all or part of the Committee's meetings:
- 3.1.1 the Chief Financial Officer;
  - 3.1.2 the Financial Controller or equivalent;
  - 3.1.3 the Company Secretary;
  - 3.1.4 representatives of the Company's external auditor (except where the business to be discussed may involve a conflict of interest, for example consideration of audit tenders, audit fee proposals and auditor performance); and
  - 3.1.5 a Custodian Director nominated by the SRU Board, in an observer capacity.
- 3.2 The Company Secretary, or with the consent of the Chair of the Committee, another employee delegated by the Company Secretary, shall act as Secretary to the Committee.
- 3.3 The Company Chair, Chief Executive, other Board members and external advisers may be invited by the Chair or the Committee to attend all or part of any meeting of the Committee.
- 3.4 Meetings may be held in person or by telephone or videoconference and shall be confidential.
- 3.5 Committee members shall disclose any actual or potential conflict of interest at the beginning of a meeting or immediately on it arising, to then be dealt with by the Committee as provided for in the Company's Articles of Association. The Committee member involved may require to be recused and/ or play no part in the business of the meeting to which the conflict relates.
- 3.6 Any resolution or decision of the Committee in writing (including by e-mail) signed, or in the case of e-mail providing assent, by a majority of the members of the Committee shall be as effective as a resolution passed or a decision made at a meeting of the Committee duly convened and held, and may consist of several documents in like form, each signed or in the case of email, providing assent, by one or more of the members of the Committee.

3.7 Questions or proposals arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes the Chair of the Committee shall have a casting vote.

3.8 If the Chair elects not to use their casting vote, the question shall be referred to the Board for determination.

#### **4 Frequency of Meetings**

4.1 Meetings will be held at least three times a year and otherwise as necessary. Meetings may be called by the Committee Chair or by the Company Secretary.

#### **5 Duties**

The duties of the Committee shall be as follows:

##### ***Financial Statements and Reporting***

5.1 To monitor the integrity of the Financial Statements and the Company's management accounts, reviewing significant financial reporting judgements contained in them.

5.2 To consider the clarity, transparency and completeness of the reporting and disclosures made, and the other content of the Annual Report (if separate from or additional to the Financial Statements) and advise the Board on whether, taken as a whole, that Report is fair, balanced and understandable.

5.3 To consider, taking into account the advice of the external auditors, whether the Company has adopted appropriate accounting policies, and to review proposed changes to those policies.

5.4 To consider any unusual or material item in the Financial Statements requiring the exercise of significant management judgement or discretion affecting that item and where necessary, challenge the actions, estimates and judgements (and any changes in them) of management in relation to the Financial Statements.

5.5 To review and report to the Board on significant financial reporting issues, accounting policies and judgements made in connection with the preparation of the Financial Statements including compliance with accounting standards and regulatory requirements.

5.6 To review the Audit & Risk Committee's own report, if any, for inclusion in the Annual Report or inclusion in any annual report of the SRU.

##### ***Internal Controls***

5.7 To consider and review management's systems for internal financial control and to review management's reports on the effectiveness of those systems.

5.8 To investigate or supervise the investigation of any significant failures in internal financial controls and consider any findings from such investigations.

5.9 To consider any weaknesses identified in systems of internal financial control and monitor management's implementation of remedial actions.

- 5.10 To review and approve any statements contained within the Annual Report or Financial Statements in relation to internal financial controls.

***Budget and Business Planning***

- 5.11 To review the material elements of annual budget proposals in order to be satisfied that these are consistent with the Group and Company's strategy, financial resources and status, borrowing limits, commitments and accounting policies.

***Risk Management***

- 5.12 To consider the Group and Company's systems for the management of risk, including the Company's risk register, and to review management's reports on the effectiveness of those systems.

***Appointment and Remuneration of Company's Auditor***

- 5.13 To conduct any tender process for audit services and make recommendations to the Board on the appointment and remuneration of the Company's external auditor.
- 5.14 To review the scope of the external audit and approve the terms of engagement of the Company's external auditor, and their remuneration.
- 5.15 To assess the Company's external auditor's effectiveness, expertise, independence and objectivity annually, prior to making any recommendation to the Board on reappointment.
- 5.16 If considered necessary, to develop a policy on the provision of non-audit services by the Company's external auditor and related remuneration, and to monitor the application of that policy and provision of such services.
- 5.17 To consider, annually, whether there is a need for an internal audit function.

***Planning and Conduct of the Company's External Audit***

- 5.18 To consider and, if thought fit, approve the annual audit plan for the Company, including timetable, risk items and planned levels of materiality, and be satisfied that the plan is consistent with the scope of the external auditor's engagement.
- 5.19 To review the external auditor's findings, including any management letter, with the external auditor and to consider management's response to any significant external audit recommendations.
- 5.20 To review any audit representation letter before signature, giving particular consideration to any material, unusual or non-standard issues.
- 5.21 At the end of the annual audit cycle, to assess and report to the Board on the effectiveness of the audit process, including the performance of the external auditor and management, and for these purposes to meet with the external auditor without management present, and *vice versa*.

***General***

- 5.22 To undertake such other tasks, projects and activities as may be delegated to the Committee by the Board.
- 5.23 To report annually to the Board on the conduct of the Committee's business and the Committee's effectiveness.
- 5.24 To review the Committee's Terms of Reference from time to time, as appropriate.

## **6 Authority**

- 6.1 In carrying out its duties under these Terms of Reference the Committee has authority to:-
  - 6.1.1 take account of recommendations on best practice produced by various official and respected organisations operating in the field covered by the Committee's remit, from time to time, including the Financial Reporting Council;
  - 6.1.2 consult, where appropriate, with the Board Chair, the Chief Executive, other Board members and external advisers on matters falling within the Committee's remit;
  - 6.1.3 require the attendance of any director, officer, employee or worker of the Company at a meeting of the Committee;
  - 6.1.4 undertake such training for Committee members as the Committee considers reasonably necessary and appropriate to enable the members of the Committee to properly carry out their responsibilities;
  - 6.1.5 approve terms and conditions of engagement of the Company's external auditor, and the auditor's remuneration, on behalf of the Company; and
  - 6.1.6 obtain external legal or other independent professional advice and to secure the attendance of third parties with relevant experience and expertise if it considers this necessary for the fulfilment of its duties.
- 6.2 The Committee has access to the advice and services of the Chief Financial Officer and Company Secretary on all Committee matters.
- 6.3 The delegation of certain duties and authority to the Committee by the Board shall not prevent the Board from itself performing those duties or exercising that authority.

## **7 Reporting**

- 7.1 The Secretary shall circulate the minutes of meetings of the Committee to all Committee members, the Chief Financial Officer, the Financial Controller, the Company's external auditor and, on request, to other Board Directors.
- 7.2 A copy of the papers for each Committee meeting is to be made available by the Company Secretary to each member of the Committee, the Chief Financial Officer, the Financial Controller and to the external auditor (except if the contents of papers may give rise to a conflict of interest) as soon as practicable in advance of the meeting. Copies of papers shall be

made available to other Board Directors who are not members of the Committee, on request to the Company Secretary.

- 7.3 The Chair of the Committee, or in the Chair's absence, a member of the Committee or the Company Secretary shall report on the business of a Committee meeting to the Board at the next following Board meeting.
- 7.4 The Chair of the Committee, or in the Chair's absence a member of the Committee, shall attend and report at least annually to the board of directors of SRU on the activities of the Committee, if invited to do so.
- 7.5 These Terms of Reference may be published by the Company in such form and manner as the Board may decide.

## **8 Approval of Terms of Reference and Amendments**

These Terms of Reference, and any amendments to them, shall be subject to the approval of the Board.

**Approved by the Board, as amended, with effect on 19 October 2023 .**

**Robert M Howat**  
**Company Secretary**