



AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

Constitution

The Board of the RFL (Governing Body) Limited (the “**Board**” and the “**RFL**” respectively) has approved an Audit and Risk Committee as a sub-committee of the Board (the “**Committee**”).

The Terms of Reference of the Committee were approved by the Board on 23 August 2019 and are set out below (replacing the Terms of Reference previously in force).

Scope

The Committee is concerned with the business of the entire RFL Group of companies and its authority extends to all matters relating to the RFL and its business units and subsidiaries (the “**Group**”).

Summary of Purpose

The principal purpose of the Committee is to:

- Consider the appointment of the external auditors and their independence;
- Consider the appointment of the internal auditors and review the RFL’s internal audit programme;
- Review the Group’s financial statements; and
- Review the effectiveness of the internal control systems of the RFL including the process for managing risk.

1.0 Membership

1.1 The Committee shall be appointed by the Board and shall comprise not less than four members, at least two of whom should be independent non-executive Directors and one of whom shall be the RFL executive who is the chief risk officer for the RFL. At least one of the members shall ideally have recent and relevant financial experience.

1.2 The Chairperson of the Committee shall always be an independent non-executive Director and will be appointed by the Board from amongst the members of the Committee.

1.3 The Chairman of the Company shall not be a member of the Committee.

1.4 The Chairman of the Committee can co-opt additional members from time to time to enhance the effectiveness of the Committee.

1.5 It is condition of each Committee member’s appointment that he/she has signed a copy of the Directors’ / Sub-Committee members’ Code of Conduct.

2.0 Secretary

2.1 The Company Secretary or his or her nominee shall act as the secretary of the Committee.

3.0 Attendance at Meetings

- 3.1 Representatives of the external auditors shall attend meetings at the invitation of the Committee.
- 3.2 Save where the same are members of the Committee, the RFL Chief Executive Officer, the Chief Operating Officer, the Finance Director and any other senior management executives shall attend if invited by the Committee.
- 3.3 There should be at least one meeting a year, or part thereof, where the Committee meets the external auditors without executive Board members being present.

4.0 Meeting Structure

- 4.1 Meetings shall be held as a minimum three times a year (to coincide with key dates in the company's financial reporting cycle).
- 4.2 Agendas and papers will be circulated at least one week in advance of Committee meetings. Committee members may at any time request the addition of agenda items via the Chairperson of the Committee and the Company Secretary.
- 4.3 External auditors may request an additional meeting if they consider that one is necessary.
- 4.4 The quorum at any meeting of the Committee shall be 2.
- 4.5 In the absence of the Chairman, the remaining members present shall elect one of themselves to chair the meeting.

5.0 Authority

- 5.1 The Committee is authorised by the Board to:
 - 5.1.1 investigate any activity within its Terms of Reference.
 - 5.1.2 seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Committee.
 - 5.1.3 obtain any necessary outside legal or independent professional advice (subject to the prior approval of the Board or relevant Executive Board member) and secure the attendance of external parties with relevant experience and expertise if considered necessary.

6.0 Responsibilities

6.1 Financial Reporting

- 6.1.1 The Committee shall monitor the integrity of the financial statements of the RFL including its annual reports and any other form announcement

relating to its financial performance, reviewing significant reporting issues and judgements which they contain.

6.1.2 In particular, the Committee shall review and challenge where necessary:

6.1.2.1 The consistency of, and any changes to, accounting policies both a year on year basis and across the Group;

6.1.2.2 The methods used to account for significant or unusual transactions where different approaches are possible;

6.1.2.3 Whether the RFL has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

6.1.2.4 The clarity of disclosure in the RFL's financial statements and the context in which statements are made; and

6.1.2.5 All material information presented with the financial statements, such as the business review / operating and financial review and the corporate governance statements (in so far as it relates to the audit and risk management).

6.1.3 The Committee shall periodically review a report that seeks to explain significant financial variances from the Board approved budget each year.

6.2 Compliance, whistleblowing and fraud

The Committee shall:

6.2.1 review the adequacy and security of the RFL'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;

6.2.2 review the RFL's procedures for detecting fraud; and

6.2.3 review the RFL's systems and controls for the prevention of bribery and receive reports on non-compliance.

6.3 Internal Audit

The Committee shall review and make recommendations in relation to internal audit at the RFL.

6.4 External Audit

The Committee shall:

- 6.4.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Group's external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 6.4.2 oversee the relationship with the external auditor including (but not limited to):
 - 6.4.2.1 recommendations on their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 6.4.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 6.4.2.3 assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 6.4.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the RFL (other than in the ordinary course of business);
 - 6.4.2.5 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the RFL compared to the overall fee income of the firm, office and partner and other related requirements;
 - 6.4.2.6 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
 - 6.4.2.7 seeking to ensure co-ordination with the activities of the internal audit function.
- 6.4.3 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present to discuss the auditor's remit and any issues arising from the audit;
- 6.4.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 6.4.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

- 6.4.5.1 a discussion of any major issues which arose during the audit;
- 6.4.5.2 any accounting and audit judgements;
- 6.4.5.3 levels of errors identified during the audit; and
- 6.4.5.4 the effectiveness of the audit.

The Committee shall also:

- 6.4.6 review any representation letter(s) requested by the external auditor before they are signed by management;
- 6.4.7 review the management letter and management's response to the auditor's findings and recommendations; and
- 6.4.8 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

6.5 Risk

The committee shall:

- 6.5.1 assist the Board in forming its view on the RFL's overall risk appetite, tolerance and strategy.
- 6.5.2 keep under review the Group's overall risk management processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used, including a review of the Critical Incident and Business Continuity Plan;
- 6.5.3 review regularly and approve the parameters used in these measures and the methodology adopted;
- 6.5.4 Assess and monitor the process for the timely monitoring of large exposures and certain risk types that are of critical importance;
- 6.5.5 review the RFL's capability to identify and manage new risk types;
- 6.5.6 review reports on any material breaches of risk limits and the adequacy of proposed action;
- 6.5.7 keep under review the effectiveness of the company's risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management; and
- 6.5.8 consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions.

6.6 Insurance

The committee shall:

- 6.6.1 confirm appropriate insurance cover following the insurance renewal exercise with insurance brokers

6.7 Estates

The committee shall:

- 6.7.1 Review progress on estates strategy or projects & consider associated risks along with the adequacy of the planning process for each project

7 Reporting

- 7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee and shall circulate the minutes of meetings of the Committee to all members of the Board.
- 7.2 The Chairman shall report formally to the Board on its proceedings on its proceedings on all matters within its duties and responsibilities upon invitation.
- 7.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.4 The Committee shall annually review its terms of reference and its own effectiveness and recommend any appropriate changes to the Board.
- 7.5 The Chairman of the Committee shall attend the Annual Council Meeting of the RFL to answer questions which relate to the work of the Committee. In addition, the Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such a report should specifically include:
 - 7.5.1 a summary of the role of the Committee;
 - 7.5.2 the names and qualifications of all members of the Committee during the period;
 - 7.5.3 the number of Committee meetings and attendance by each member; and
 - 7.5.4 the way the Committee has discharged its responsibilities.