

Audit Committee

Terms of Reference



AUDIT COMMITTEE - Terms of Reference

1. Role

The Audit Committee ("the Committee") is, in the first instance, a committee of the Members' Council. It also carries out a number of duties at the request of the Board.

The Committee oversees matters relating to Performing Right Society Ltd (PRS) and PRS for Music Ltd. These matters include: finances and financial controls, the integrity of financial statements, internal and external audit processes and findings, accounting policies and judgements, and Management's processes for identifying and controlling risks.

2. Specific duties

Taking into account all factors deemed necessary, including relevant legal and regulatory requirements, the Committee shall:

- i. Review and assess Management's policies (including, but not limited to, the Treasury, counter-fraud, legal compliance and whistleblowing policies), processes and procedures for identifying, controlling and managing key risks and advise the Members' Council and Board on significant matters arising. Key risks are those which threaten or may threaten the achievement of the principal business objectives of PRS for Music.
- ii. Provide input to Management and the Members' Council and Board as requested on key risk management issues, including major new projects, significant restructuring and reorganisation and changes in the business environment.
- iii. Inspire greater understanding and awareness of risk and risk management issues at Members' Council, Board and Senior Management levels and provide a risk management framework which stimulates participation amongst the Members' Council and Board and utilises most effectively the knowledge and experience of the directors.
- iv. On the direction of the Members' Council and Board, to undertake detailed reviews of key risks including, but not limited to, financial and health and safety risks, and advise the Members' Council and Board on significant matters arising.
- v. Review PRS for Music's internal financial controls, internal control and risk management systems and review and supervise the application of appropriate financial reporting and internal controls.
- vi. Specifically review PRS for Music's systems, controls and procedures for detecting fraud and preventing bribery, including receiving reports on non-compliance.
- vii. Review regular reports from the Compliance Group and keep under review the adequacy and effectiveness of the legal and regulatory compliance framework.
- viii. Monitor and review the effectiveness of PRS for Music's internal audit function, including: approving the entering into or termination of the contract to supply internal audit services; approving and monitoring of the internal audit work plan; considering issues arising from external and internal audit work; reviewing the response of Management to internal control issues raised; ensuring co-ordination between the internal audit function and the external auditor; ensuring that the internal audit function is adequately resourced and has appropriate standing within, and access to, the Company; and undertaking an annual assessment of the effectiveness of the internal audit function.
- ix. Review and monitor PRS for Music's relations with the external auditor, including: overseeing the selection process and making any subsequent recommendations to the Board and the Members' Council; approving their remuneration and terms of engagement; reviewing their independence and objectivity and the effectiveness of the audit process, taking into consideration the relationships

- between PRS for Music and the external auditor; and approving a policy for the provision of non-audit services provided by the external auditor.
- x. Monitor the integrity of the financial statements of PRS and PRS for Music Ltd, and related information presented with the financial statements, reviewing significant accounting policies and significant accounting judgments, and any changes to them; and review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context, and advise the Members' Council and Board thereon.
 - xi. Review arrangements by which PRS for Music staff may, in confidence, raise concerns about possible improprieties (whistleblowing), with the objective of ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up actions.

3. Authority & Reporting

The Committee is authorised by the Members' Council to secure legal or other specialist advice at PRS for Music's expense on any matters within its terms of reference.

The Committee is also authorised to seek any information it requires from any employee in the Company in order to perform its duties and call any employee to be questioned at a meeting of the Committee as and when required.

Reports of each meeting will be prepared for the subsequent Members' Council meeting by the Company Secretary or his/her nominee. These will cover the nature and content of the Committee's discussion, decisions and recommendations, and action to be taken. Reports will also be prepared for the Board as required.

4. Composition

The Committee will comprise up to three of the four independent Non-Executive Directors (iNEDs) on the Members' Council, at least one of whom shall have recent and relevant financial experience plus:

- Two writer members of the Members' Council
- Two publisher members of the Members' Council

Audit Committee members are appointed by the Members' Council on the recommendation of the Nominations Committee (following liaison between the writer and publisher members of that Committee and their writer and publisher colleagues on the Council) and in liaison with the Audit Committee Chair. The initial term is three years and two further three-year terms may be served provided the individual still meets the criteria for membership of the Committee.

Committee members are expected to attend Committee meetings on a regular basis and the Committee Chair shall have the right to ask for an individual's position on the Committee to be reviewed in instances of repeated absence.

The following will attend individual meetings by invitation:

- The CEO
- Chief Financial Officer
- Head of Risk and Operational Compliance

Other representatives of Management may be invited to attend meetings in full/part as dictated by each agenda.

External advisers (including representatives of the outsourced Internal Audit supplier) may also be invited to attend for all or part of any meeting when appropriate or necessary.

5. Chair

The Committee Chair will be appointed by the Members' Council and should already have served on the Committee for at least 12 months. The term of office is three years and one further term of three years may be served.

The Committee Chair shall be accountable to the Members' Council for the running of the Committee and the decisions it makes.

The Committee Chair will be responsible for presenting reports in line with Paragraph 3 above and for securing Members' Council or Board approval for Committee recommendations.

The Committee Chair will also be responsible for maintaining a dialogue, outside of the formal meeting programme, with key individuals involved in the Company's governance including the chairs of the Members' Council and Board, the CEO, the CFO/equivalent, the external audit lead partner and the outsourced internal audit partner.

The Committee Chair shall attend PRS annual general meetings to answer members' questions relating to matters within the purview of the Committee.

6. Conflicts of Interest

Committee members will not be present where their presence represents a conflict of interest.

7. Meetings

There will be four scheduled Committee meetings per annum at appropriate intervals in the financial reporting and audit cycle. Additional meetings will be arranged at the behest of the Chair or another Committee member when the Committee is required to make an urgent decision

All meetings may take place by email or telephone/video conference if the Chair deems this appropriate (for example, if an urgent decision or guidance is required).

8. Quorum

In order for the Committee to conduct business, the following Committee members must be present in person or available to participate by telephone or video conference:

- Two iNEDs
- One writer
One publisher

9. Decision-making

It is the responsibility of the Committee Chair to seek to ensure that decisions are made by consensus, and incumbent upon all Committee members to ensure that agreement is reached. When consensus cannot be reached the matter should be put to a vote and such decisions will be made by a simple majority. For the avoidance of any doubt, only Committee members will be entitled to vote and not those invited to attend the meeting in question.

Where a decision needs to be taken outside of a meeting by way of a written resolution, unanimity will be required.

10. Review

A report outlining the activities of the Committee shall be prepared and presented to the Members' Council on an annual basis.

These Terms of Reference will also be reviewed by the Committee on an annual basis to ensure that the Committee is operating with maximum effectiveness. Any changes must be approved by the Members' Council.

11. Administration

The Company Secretary or his/her nominee will be secretary to the Committee and provide advice and assistance as required.

Papers will be circulated a minimum of seven days in advance of scheduled meetings, and with as much notice as is reasonably practicable in advance of emergency meetings.

Minutes (including the names of those present and in attendance) will be circulated to the Committee Chair within 10 working days of the meeting, and to all Committee members within 14 days of the meeting. Members' Council members will be entitled to view Committee minutes on request.

12. Other matters

Committee members will be provided with appropriate and timely training, including an induction programme for new members.

Prior to the commencement of each year, Management shall discuss with the Chair the programme of Committee work for the year and proposed timetable, which will be kept under review.

Management will ensure that the Committee chair has been fully briefed in advance of each meeting.

The Committee has the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Members' Council or Board.

Date approved: 6 July 2022

Next review due: July 2023