

## Terms of Reference - Audit Committee

### **1. Membership**

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three members.
- 1.2. All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Executive Chairman, Finance Director, other directors and the head of internal audit may be invited to attend all or part of any meeting as and when appropriate.
- 1.4. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5. The Board shall be responsible for setting the term of members' appointments and for the revocation of any such appointments.
- 1.6. The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman the remaining members present shall elect one of themselves to chair the meeting.

### **2. Secretary**

- 2.1. The Company Secretary shall act as the Secretary of the Committee.

### **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be two members. 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 in or exercisable by the Committee. All or any members of the committee may participate in a meeting by teleconference or videoconference. A person so participating is deemed to be present in person at the meeting and shall be counted in a quorum accordingly.

### **4. Meetings**

- 4.1. The Committee shall meet three times a year to coincide with key dates in the Group's Financial Reporting Cycle and otherwise as required.
- 4.2. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee.
- 4.3. Minutes of Committee meetings shall be circulated to all members of the Committee and to all members of the Board.

## **5. Annual General Meeting**

- 5.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

## **6. Duties**

The Committee should carry out the duties below for the Group as a whole.

### **6.1. Financial Reporting**

- 6.1.1 The Committee shall monitor the integrity of the financial statements of the Group, including its Annual Reports, Interim Results, Preliminary Results' Announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review any financial information contained in certain other documents, including announcements of a price sensitive nature.

- 6.1.2 The Committee shall review and challenge where necessary:

- 6.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
- 6.1.2.2 matters requiring a major element of judgement;
- 6.1.2.3 the methods used to account for significant or unusual transactions where different approaches are possible;
- 6.1.2.4 whether the company has followed appropriate accounting standards and made appropriate estimates taking into account the views of the external auditor;
- 6.1.2.5 the clarity of disclosure in the company's financial reports and the context in which statements are made; and
- 6.1.2.6 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

### **6.2. Internal Controls and Risk Management Systems**

The Committee shall:

- 6.2.1 keep under review the effectiveness of the company's internal controls and risk management systems;
- 6.2.2 review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

### **6.3. Whistleblowing**

The Committee shall 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.

### **6.4. Internal Audit**

The Committee shall:

- 6.4.1 monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;
- 6.4.2 approve the appointment and removal of the head of the internal audit function;
- 6.4.3 consider and approve the remit of the internal audit 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 standing and is free from management or other restrictions;
- 6.4.4 review and assess the annual internal audit plan;
- 6.4.5 review all reports on the company from the internal auditors;
- 6.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 6.4.7 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Committee.

#### **6.5. External Audit**

The Committee shall:

- 6.5.1 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 company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 6.5.2 oversee the relationship with the external auditor including (but not limited to):
  - 6.5.2.1 consideration of their remuneration, whether fees for audit or non audit services.
  - 6.5.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
- 6.5.3 meet with the external auditor at the planning stage before the audit, after the audit at the reporting stage and following the auditors review of the Interim Results. The Committee shall meet the external auditor without management being present to discuss their remit and any issues arising from the audit;
- 6.5.4 review and approve the annual audit plan and ensure that it is consistent

with the scope of the audit engagement;

6.5.5 review the findings of the audit with the external auditor. This shall include but not be limited to a discussion of any major issues which arose during the audit and any accounting and audit judgements;

6.5.6 review the effectiveness of the audit.

6.5.7 review the management letter issues and management's response to the auditor's findings and recommendations.

6.5.8 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.

## **6.6. Reporting Responsibilities**

6.6.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

6.6.2 The Committee shall make whatever recommendations to the Board it deems appropriate.

6.6.3 The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.

## **6.7. Other Matters**

The Committee shall:

6.7.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

6.7.2 give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;

6.7.3 undertake other related duties as agreed with the Board.

## **7. Authority**

The Committee is authorised:

7.1. to seek any information it requires from any employee of the company in order to perform its duties;

7.2. to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference; and

7.3. to call any employee to be questioned at a meeting of the Committee as and when required.

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