

## **Audit Committee**

### **Terms of Reference**

#### **Membership**

The Committee shall be appointed by the Board and shall consist of not less than three members, all of whom shall be independent Non-Executive Directors. A quorum of the Committee shall be two members.

The Chairman of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors. At least one member of the Committee shall have significant, recent and relevant financial experience.

Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

#### **Secretary**

The Secretary of the Company shall be the Secretary of the Committee.

#### **Attendance at Meetings**

The Chairman of the Company, the CEO, the CFO, representatives of the external Auditor and such other persons as the Committee may consider appropriate shall attend meetings at the invitation of the Committee.

There shall be at least one meeting a year where the Audit Committee meets the external Auditor without Executive Board members present.

#### **Frequency of Meetings**

Not less than three meetings a year shall be held (to coincide with key dates in the Company's financial reporting cycle).

The external Auditor may request additional meetings if it considers them necessary.

Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive, the Chief Financial Officer, the external audit lead partner and the internal audit lead partner.

#### **Authority**

The Committee is authorised by the Board to:

- investigate any activity within its terms of reference;
- seek any information it requires from any employee of the Company;
- obtain outside legal or independent professional advice and secure the attendance of outsiders with relevant experience and expertise to the extent considered necessary.

## **Duties**

The duties of the Committee shall be:

### ***Financial reporting***

The Committee shall monitor the integrity of the financial statements, including its annual report, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.

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

- the consistency of, and any changes to, significant accounting policies;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- the clarity and completeness of disclosure in the financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.

Where the Committee is not satisfied with any aspect of the proposed financial reporting, it shall report its views to the Board.

### ***Narrative reporting***

- Where requested by the Board, the Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

### ***Going concern and viability statement***

- Support the Group Board in the Group Board (a) reaching its decision as to whether it is appropriate to adopt the going concern basis of accounting in preparing its financial statements and (b) identifying any material uncertainties to the Company's

ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements.

- Support the Group Board in the Group Board (a) explaining in the annual report how it has assessed the prospects of the Company over a specified period and why this specified period is appropriate and (b) stating in the annual report whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of assessment and drawing attention to any qualifications or assumptions as necessary.

### ***External Auditor***

- to consider and make recommendations on the appointment, re-appointment and removal of the external Auditor;
- ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process
- to approve the terms of engagement and the remuneration to be paid to the external Auditor in respect of audit services provided;
- to assess the qualification, expertise and resources, effectiveness and independence of the external Auditor annually;
- to devise procedures to ensure that the independence and objectivity of the external Auditor is assessed annually, taking into consideration relevant professional and regulatory requirements;
- to seek from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
- to agree with the Board and monitor the Company's policy for the employment of former employees of the external Auditor;
- to develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the external Auditor and ensure that the provision of such services does not impair the external Auditor's independence or objectivity;
- to set and apply a formal policy specifying the types of non-audit work:
  - from which the external Auditor is excluded;

- for which the external Auditor can be engaged without referral to the Audit Committee; and
- for which a case by case decision is necessary;
- to discuss with the external Auditor, before the audit commences, the nature and scope of the audit;
- to review with the external Auditor the findings of its work, including any major issues that arise during the course of the audit;
- to review key accounting and audit judgements;
- to review the audit representation letters before signature by Management and give particular consideration to matters where representation has been requested that relate to non-standard issues;
- to review and monitor the content of the external Auditor's management letter in order to establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon;

### ***Internal Audit***

- to consider annually whether there is a need for an internal audit function where there currently is no such function;
- to the extent there is an internal audit function, to review the internal audit programme and ensure that the internal audit function is adequately resourced;
- to review with the internal Auditor the findings of its work, including any major issues that arise during the course of the audit;

### ***Whistle-blowing***

- to review the Company's procedures for 'whistle-blowing' and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matter;

### ***Internal financial control, financial reporting and risk management***

- to review the adequacy and effectiveness of the systems for internal financial control, financial reporting and risk management;
- to review the activities, scope and effectiveness of the Group Risk Committee;
- to review, and where necessary, challenge the actions and judgements of management in relation to the Company's financial statements, operating and financial reviews, interim reports, preliminary announcements and related formal

statements before submission to the Auditor and Board, paying particular attention to:

- critical accounting policies and practices, and any changes in them;
- decisions requiring a significant element of judgement;
- the extent to which the financial statements are effected by any unusual transactions in the year and how they are disclosed;
- the clarity of disclosure;
- significant adjustments resulting from the audit;
- the going concern assumption;
- compliance with accounting standards;
- compliance with stock exchange and other legal requirements;
- reviewing the Company's statement on internal control and risk management;

## Reporting

The Secretary shall circulate draft minutes of all meetings of the Committee to all members of the Board within 7 days of the relevant meeting having been held.

The Committee shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

The role and responsibilities of the Committee and the actions taken by the Committee to discharge those responsibilities shall be disclosed in the Annual Report and Accounts. Such a report shall specifically include:

- a summary of the role of the Committee;
- the names and qualifications of all members of the Committee during the period;
- the number of Audit Committee meetings and attendance by each member; and
- the way the Audit Committee has discharged its responsibilities.

Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report the issue to the shareholders as part of the report on its activities in the Company's annual report.

If the Board does not accept the Committee's recommendation regarding the appointment, re-appointment or removal of the external Auditor, the Committee shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the Annual Report.

The Chairman of the Committee shall attend the AGM and shall answer questions, through the Chairman of the Board, on the Committee's activities and its responsibilities.