

## **Audit Committee: Terms of Reference**

### **1. Composition of Committee**

- 1.1.1 The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nominations Committee in consultation with the Audit Committee Chairman and will comprise at least three Independent Non-Executive Directors at least one of whom will have had recent and relevant financial experience. The Chairman of the Board shall not be a member of the Audit Committee. The members of the Audit Committee may regulate their proceedings as they see fit within the scope of these Terms of Reference. The quorum for a meeting of the Audit Committee will be two members.
- 1.1.2 The Chairman will be appointed by the Board. The Secretary of the Audit Committee will be the Company Secretary or his nominee or, in the absence of either, such person as may be determined by the Audit Committee Chairman.

### **2 Frequency of meetings**

- 2.1.1 The Audit Committee shall meet at least 4 times a year at appropriate times in the reporting and audit cycle and otherwise as necessary to fulfil the Audit Committee's role and responsibilities.

### **3 Role, scope and authority delegated to the Audit Committee**

- 3.1.1 The Audit Committee is comprised of Independent Non-Executive Directors, and is intended to provide appropriate and regular lines of communication between the Board and the external and internal auditors.
- 3.1.2 Only members of the Audit Committee have the right to attend Audit Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Finance Director, Head of Internal Audit and senior corporate and operational financial executives may be invited by the Audit Committee to attend all or part of any meeting.
- 3.1.3 The Audit Committee shall meet with the external auditor and the Head of Internal Audit without the Executive Directors being present at least once a year.
- 3.1.4 The Audit Committee will have the following roles and responsibilities, and in pursuance of its duties the Audit Committee will have regard to the provisions of the Combined Code and the Smith Guidance and may, to the extent it deems necessary, seek advice from any employee of the

Company and of its subsidiaries and may, at the Company's expense, obtain external legal, accounting and/or other independent advice:

- 3.1.4.1 to monitor the integrity of the financial statements of the Company and all of its subsidiaries and affiliates;
- 3.1.4.2 to recommend to the Board the adoption of the Annual and Interim Reports and the Preliminary Announcement, and also consider the Annual Financial Statements of the Company and its subsidiaries having regard to the accounting, regulatory and statutory requirements that are current and best practice;
- 3.1.4.3 to monitor formal announcements of the Company's financial performance;
- 3.1.4.4 to review any significant reporting judgements relating to financial statements and formal announcements of the Company;
- 3.1.4.5 to monitor and review the effectiveness of the internal audit function and make recommendations to the Board with regard thereto;
- 3.1.4.6 to review and monitor all aspects of the Company's relationship with its external auditor, including making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment or removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- 3.1.4.7 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process taking into account relevant professional and regulatory requirements;
- 3.1.4.8 to develop and recommend to the Board the Company's policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to implement this policy and report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;

- 3.1.4.9 to agree a policy, in conjunction with the Board of the Company, on the employment of former employees of the Company's external auditor, and then to monitor the implementation of this policy;
- 3.1.4.10 to review the internal financial controls and to review the internal control and risk management systems of the Company and its subsidiaries;
- 3.1.4.11 to make recommendations to the Board in relation to the need, if any, for whistle-blowing policies and procedures additional to those detailed in the Policies and Procedures Manual and to review the operation of any such policies and procedures to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action; and
- 3.1.4.12 to review the annual programme of the internal audit function, meet with the head of the function at least once a year to consider any material findings that it has brought to the Audit Committee's attention and to monitor generally management's responses to internal audit findings.

#### 4 Reporting Responsibilities

The Audit Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, identifying any matters in respect of which the Audit Committee considers that action or improvement is needed and making recommendations as to the steps to be taken.

#### 5 Other matters

The members of the Audit Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

#### 6 Annual General Meeting

The Audit Committee Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions concerning the Audit Committee's activities.