

## **Amended terms of reference and constitution of the 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 committee, in accordance with the Company's articles of association.
- 1.2 Members shall be appointed only from amongst the independent, non-executive directors of the Company and shall ordinarily consist of not less than three members.
- 1.3 The chairman of the committee shall be appointed by the board. The chairman of the board shall not be a member of the committee.
- 1.4 At least one member of the committee shall have recent and relevant financial experience.
- 1.5 In the absence of the chairman of the committee, the members present at any meeting of the committee shall elect one of their number to chair the meeting.
- 1.6 The chairman and members shall be listed each year in the Company's annual report.
- 1.7 Each member shall hold office as a committee member for a period of up to three years, which may be extended by no more than two additional three-year periods, so long as the member continues to be an independent non-executive director.
- 1.8 Each member of the committee shall disclose to the committee:
  - 1.8.1 any personal financial interest (other than as a shareholder) in any matter to be decided by the committee; or
  - 1.8.2 any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the board) shall resign from the committee.

### **2. Secretary**

The company secretary or her nominee shall be the secretary to the committee.

### **3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two members present throughout the meeting in person or by telephone. 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.

- 3.2 In the event of equality of votes, the chairman of the committee shall have a casting vote.

#### **4. Frequency and notice of meetings**

- 4.1 Meetings of the committee shall be held not less than three times per year, to coincide with key dates within the financial reporting and audit cycle and at such other times as the chairman of the committee shall require. The external auditors may request a meeting with the committee, if they consider that one is necessary, such request to be made in writing to the secretary of the committee.
- 4.2 Meetings of the committee shall be called by the secretary of the committee at the request of any member or at the request of external or internal auditors if they consider it necessary, after consulting with the chairman of the committee.
- 4.3 Notice of meetings shall be given to all members of the committee and the chairman of the board and in the case of the chief executive, chief financial officer, and external auditors, where appropriate. Notice shall be given no later than three days before the date of the meeting. A set of supporting papers, where appropriate, together with an agenda of items to be discussed shall be sent with the notice of meeting.

#### **5. Minutes of meetings**

- 5.1 The secretary shall minute the proceedings and resolutions of all committee meetings, including the names of those present and in attendance.
- 5.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 5.3 Minutes of committee meetings shall be circulated with the notice of the next meeting referred to in paragraph 4.3.

#### **6. Attendance at meetings of the Committee**

- 6.1 A representative of the external auditors shall be invited to attend meetings of the committee, at the committee's discretion.
- 6.2 The committee shall be entitled to meet with the external auditors, without management (including the executive directors of the Company), being present, and shall do so on at least one occasion each year.
- 6.3 No-one other than the chairman and members of the committee is entitled to be present at a meeting of the committee. The committee may ask the chairman of the board, chief executive, chief financial officer and any relevant senior management to attend meetings either regularly or by invitation, but such invitees have no right of attendance.

- 6.4 It is expected that the external audit lead partner will be invited regularly to attend meetings, as well as the chief financial officer.

## **7. Annual General Meeting**

The chairman of the committee shall attend the annual general meeting prepared to respond to any shareholder questions on the committee's activities.

## **8. Duties**

The duties of the committee shall be:

### **Public reporting**

- 8.1 to monitor the integrity of the Company's financial statements, including its annual and half yearly reports, interim management statements, preliminary announcement of annual results (if any) and announcement of interim results and any other formal announcements relating to the Company's financial performance, together with any letters in respect thereof from the external auditors, prior to their submission to the board for approval, focusing particularly, in relation thereto, on:

- 8.1.1 the appropriateness of accounting policies and practices and any changes thereto;
- 8.1.2 significant financial reporting judgements and estimates;
- 8.1.3 significant adjustments resulting from the work of external auditors;
- 8.1.4 the going concern assumption;
- 8.1.5 compliance with accounting standards;
- 8.1.6 the clarity of disclosures in the Company's financial statements; and
- 8.1.7 compliance with associated Listing Rules, legal and regulatory requirements.

### **8.2 Risk management and internal control**

- 8.2.1 to review the Group's internal financial controls (that is the systems established to identify, assess, manage and monitor financial risks); and unless expressly addressed by a separate board risk committee comprised of independent directors or by the board itself, to review the Group's internal control and risk management systems and approve the statements to be included in the Company's annual report concerning internal controls and risk management;

- 8.2.2 to review the Company's procedures for detecting fraud;

### **8.3 Internal audit**

- 8.3.1 to monitor and review the effectiveness of the Group's internal audit activities in the context of the Company's overall internal control;

- 8.3.2 to consider, at least annually whether there is a need for an internal audit function, to make recommendations to the board accordingly, and, if appropriate, to make recommendations as to the content of any explanation for the absence of such a function for inclusion in the Company's annual report;
- 8.3.3 to consider the scope and the major findings of internal audit work done and management's response thereto;
- 8.3.4 to review and approve the internal audit function's remit, having regard to the role fulfilled by the external audit function;
- 8.3.5 to ensure that the head of financial assurance audit has direct access to the chairman of the board and to the audit committee;
- 8.3.6 to approve the appointment or termination of appointment of the head of financial assurance;
- 8.3.7 to review and assess the annual internal audit plan;
- 8.3.8 Meet with head of internal audit at least once a year without the presence of management.

#### 8.4 **External audit**

- 8.4.1 to consider and make recommendations to the board as regards the appointment, re-appointment and removal of the external auditors of the Group and to ensure that the key partners within the appointed firm are rotated from as required;
- 8.4.2 if the board does not accept the committee's recommendation on the appointment, re-appointment and removal of external auditors, to prepare a statement explaining the committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the board's reasons for taking a different position;
- 8.4.3 to approve the remuneration and the terms of engagement of the external auditors;
- 8.4.4 to review and monitor the independence and objectivity of the external auditors and the effectiveness of the audit process taking into consideration relevant UK professional and regulatory requirements;
- 8.4.5 to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditors; and to 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;
- 8.4.6 to meet regularly with the external audit lead partner and other audit partners and staff;
- 8.4.7 to discuss with the external auditors and chief financial officer, before the external audit commences, the nature and scope of the external

audit (including error and materiality levels) and to review any arrangements, where more than one audit firm is involved, to ensure due co-ordination;

- 8.4.8 to consider at its discretion any representations required from the directors to the external auditors;
- 8.4.9 to consider the auditors' work plan for the annual and any interim audit and proposed resources in light of the scope of the audit;
- 8.4.10 to review the external auditors' reports to the committee, management letters and management's responses thereto;
- 8.4.11 to review with the external auditors (in the absence of management if necessary), the results of their work in conducting the annual and any interim audit, including:
  - 8.4.11.1. any major issues that arose during the course of the audit;
  - 8.4.11.2. key accounting and audit judgements;
  - 8.4.11.3. levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted; and
  - 8.4.11.4. any reservations that the external auditors may have and other matters that they wish to raise;
- 8.4.12 to monitor the external auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
- 8.4.13 to assess annually the external auditors' qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 8.4.14 at the end of the annual audit cycle, to assess the effectiveness of the audit process;
- 8.4.15 if the external auditor resigns, to investigate the issues leading to such resignation and to consider whether any action is required;
- 8.4.16 to discuss and consider any matters the external auditors wish to raise.

## 8.5 **General**

- 8.5.1 to review the Group's arrangements by which its employees may raise concerns, in confidence, about possible improprieties in financial reporting or other matters;
- 8.5.2 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness

and recommend any changes it considers necessary to the board for approval;

- 8.5.3 to consider such other topics as are either referred to the committee by the board or may be defined by the committee and notified to the board;
- 8.5.4 to report to the board, identifying any matters in respect of which it considers that action or improvement is needed, and to make recommendations to the board on matters arising from the committee's discussions;
- 8.5.5 to develop, for agreement with the board, the Company's policy for the employment of former employees of the external auditors and to monitor application of the policy;
- 8.5.6 to make available (for example on the Company's website) these terms of reference, explaining the role and the authority delegated to it by the board

## **8.6 Reporting procedures and responsibilities**

- 8.6.1 The chairman of the committee shall report on decisions of, or matters coming before, the committee to the board and any person or body whom the committee considers appropriate.
- 8.6.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.6.3 The reporting responsibilities of the audit committee shall be:
  - 8.6.3.1. recommending to the board the various publishable financial statements for approval;
  - 8.6.3.2. to review the statement by the directors to be included in the annual accounts on the going concern status of the Company and any supporting assumptions and qualifications;
  - 8.6.3.3. to assist the board by preparing a statement for inclusion in the directors' report describing the roles and responsibilities of the committee and actions taken by the committee to discharge those responsibilities; as well as listing the names of all members of the committee, the number of committee meetings and attendance by each member;
  - 8.6.3.4. to produce for the board's approval the statement for inclusion in the annual report in relation to internal control and the management of risk;
  - 8.6.3.5. where there is no internal audit function, to set out the reasons for the absence of such a function in the relevant section of the annual report;

- 8.6.3.6. if the external auditor provides non-audit services, to provide an explanation for inclusion in the annual report of how auditor objectivity and independence is safeguarded.

## **9. Authority**

The committee is authorised by the board, at its discretion:

- 9.1 to investigate any matters relevant to the fulfilment of its duties;
- 9.2 to seek any information it requires from, and compel the attendance at its meetings by, any executive director, member of senior management and any Group employee. All such persons are directed to co-operate with any such request made by the committee but shall also have the right to make representations to the committee in respect of matters raised with them; and
- 9.3 to obtain external legal or other independent professional advice and to secure the attendance of external advisers at its meetings on any matters within its terms of reference at the Company's expense.