



# AUDIT COMMITTEE TERMS OF REFERENCE

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## 1. COMPOSITION AND QUORUM

The committee is appointed by the Board and shall consist of not fewer than three members, each of whom shall be an independent non-executive director. A quorum is two members. The chairman of the company's Board may be invited to attend the committee, but is not a member of the committee.

The company secretary also acts as secretary to the committee.

## 2. CHAIRMAN

The chairman of the committee is an independent non-executive director appointed by the Board.

## 3. MEETINGS

Committee meetings are held no less than three times per year and more frequently if circumstances so require. In addition to the members of the committee, representatives of the company's internal and external auditors and the company's executive directors or other management may also attend meetings by invitation. At each meeting, time is allotted for the external auditors or the internal auditors to meet with the committee alone, at the option either of committee members or of the external auditors or internal auditors. Meetings may also be called, if necessary, by either the internal or the external auditors, both of whom have unrestricted access to members of the committee.

## 4. RESPONSIBILITIES

The committee is a committee of the Board. Its responsibilities are defined by the Board. The responsibilities of the committee are as set out below. Notwithstanding the delegation of responsibilities to the committee, the Board remains responsible and accountable for all matters.

- (i) to monitor the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance and to review significant financial reporting judgements contained in them;
- (ii) to provide advice (where requested by the Board) on whether the annual report and accounts taken as a whole, is fair, balanced and understandable, and provides information necessary for shareholders to assess the company's position and performance, business model and strategy;
- (iii) to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, resignation, removal or re-appointment of the company's external auditors and to approve the remuneration and terms of engagement of the external auditors;
- (iv) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and conducting the tender process and making recommendations to the Board about the appointment, reappointed and removal of the external auditor.
- (v) to monitor and review the effectiveness of the company's internal audit department and its activities, including receiving reports and to ensure adequate levels of staffing;

- (vi) to ensure that the company's systems of internal financial control are adequate and functioning properly; to commission investigations into any control weaknesses, to consider the results of any such investigations and to make recommendations to the Board to act upon any identified weaknesses;
- (vii) to ensure that the company's systems of control as they relate to activities regulated by the Financial Conduct Authority are adequate and functioning properly and are adequately resourced; to ensure that appropriate management information and means of monitoring are in place to test that, for its regulated business, the company is treating its customers fairly; to commission investigations into any control weaknesses, to consider the results of any such investigations and to make recommendations to the Board to act upon any identified weaknesses;
- (viii) to ensure that the company's approach to risk management and control is systematic and structured, that the company's systems are appropriate to the levels of risk to which the company is exposed, and to carry out monitoring of controls and systems sufficient to satisfy itself that their implementation is effective;
- (ix) to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical and Financial Reporting Council guidance regarding the provision of non-audit services by the external audit firm and to review the manner in which this is reported by the company;
- (x) to review arrangements by which the company's staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and
- (xi) 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.

## 5. AUTHORITY

1. The committee is authorised by the Board to investigate any activity within its terms of reference.
2. The committee is authorised to seek any information that it requires from any employee.
3. The committee is authorised to obtain outside legal or other independent professional advice.