

## Audit Committee – Terms of Reference

The Board of the Company ("the Board") has for many years had an Audit Committee ("the Committee"). The Committee shall consist exclusively of independent non-executive directors. The Chairman and members of the Committee shall be appointed by the Board and the Chairman or, in his absence, an appointed deputy, should be available to answer questions at the Company's Annual General Meeting. The Chairman of the Committee shall seek engagement with shareholders on significant matters relating to the Committee's areas of responsibility.

The Committee shall normally consist of not less than three members, at least one of which shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates. The quorum for meetings of the Committee shall be two members. The Company Secretary shall be Secretary to the Committee. The Committee shall meet at least three times a year, including prior to the announcement of the Group's annual and half year results when the external auditor shall be in attendance for those discussions. The Chief Financial Officer shall normally attend the meetings and the Chairman of the Board, the Chief Executive Officer and any other person shall attend if invited to do so by the Committee. The Chairman of the Committee shall report to the Board on the Committee's behalf as may be appropriate. While the Committee has authority to investigate any areas within its terms of reference and any concerns as to financial impropriety that arise and to obtain outside legal or other independent professional advice in connection therewith, its normal duties shall be as follows:-

- to monitor the integrity of the annual and half yearly financial reports of the Company and any formal announcements relating thereto, reviewing significant financial reporting judgements contained in them;
- to review the effectiveness of the Company's internal financial controls;
- to review the process for the management of risk and the assurance procedures over controls designed to manage key risks;
- to review the internal audit programme and resources and the results of internal audits undertaken during the year and to monitor and review the effectiveness of the Company's internal audit function;
- to make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- to negotiate and agree the external auditor's fee and the scope of the statutory audit and the terms of engagement of the external auditor;
- to initiate and supervise a competitive tender process for the external audit as may be required and to make recommendations to the Board as to the external auditor appointment pursuant to any such process;
- 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;
- to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant regulations and ethical guidance regarding the provision of non-audit services by the external audit firm; 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; and
- to report to the Board on how it has discharged its responsibilities.

The Committee shall, at least annually, meet the external auditor without management to discuss matters relating to its remit and any issues arising from the audit.

The Secretary shall normally circulate the minutes of Committee meetings to all members of the Board.

The Committee shall, at least annually, review its terms of reference and its own effectiveness and recommend any proposed changes to the Board.

The terms of reference of the Committee shall be made available and a separate section of the Annual Report should describe the work of the Committee in discharging its responsibilities.