

**AUDIT COMMITTEE**  
**TERM OF REFERENCE**



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## **AUDIT COMMITTEE**

**("the Committee")**

### **TERMS OF REFERENCE**

The Committee is created by the Board of Directors of the Company ("**the Board**") from which it derives its authority. The Committee shall have no authority other than that expressly recognised in this document.

#### **1. MEMBERSHIP**

- 1.1. Members of the Committee shall be appointed by the Board, taking into account the relevant skills, experience and commitments of each proposed member. The Committee shall be made up of three members: (i) The Chief Executive Officer, (ii) The Chief Financial Officer, (iii) The Chief Legal and Compliance Officer, (iv) one member of the board representing the shareholder.
- 1.2. Each member of the Committee shall serve until he/she is removed by the Board or until he/she resigns as a member of the Committee.
- 1.3. The Committee will be assisted at all times by the Financial Department of the Company.
- 1.4. Any observer may attend meetings of the Committee. Other individuals such as the external auditors, internal auditors, may be invited to attend for all or part of any meeting as and when appropriate. Representatives of the Assurance and Finance functions, representatives of the business and external advisers may be invited to attend as and when considered appropriate by the Committee Chair and in respect of the items that are relevant to them.
- 1.5. In the event that a member of the Committee is unable to attend a meeting, his/ her alternate could appoint someone else to attend the meeting on her/his behalf, subject to the consent of the Chair of the Committee.
- 1.6. The Board appoint the Chief Financial Officer as the Chair of the Committee. In the absence of the Chair of the Committee the remaining members present shall elect one of themselves to chair the meeting.
- 1.7. At least one member of the Committee shall be a financial expert with recent and relevant financial experience who ideally holds a professional qualification from one of the professional accountancy bodies and who satisfies the requirements as determined by the law, with due regard to relevant legal and best practice requirements.

#### **2. SECRETARY**

- 2.1 The Committee will appoint a secretary for every meeting. The Secretary may not be a member of the Committee.
- 2.2 The Secretary shall ensure that the Committee is duly constituted in accordance with these Terms of Reference, that a quorum is present at scheduled meetings of the Committee and that notice of Committee meetings, information and papers are provided within the timeframes set out herein.

#### **3. QUORUM AND CONFLICTS**

- 3.1 The quorum necessary for the meeting shall be two (2) members of the Committee. 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 Each member of the Committee shall disclose to the Committee any direct or indirect interest they have in any matter to be decided or considered by the Committee.
- 3.3 Any member who has declared an interest in any matter to be decided or considered by the Committee shall be precluded from participating in any decisions, considerations or discussions of the Committee in relation to such matter.

#### **4. FREQUENCY OF MEETINGS**

- 4.1 It is intended that the Committee shall meet not less than twice per year: at least once in March of every year before the formulation by the Board of the annual accounts for the purposes of current audit and assurance processes and once prior to approval of the Annual Report and Accounts by the General Meeting / sole shareholder. The Committee may also meet at such other times as the Chair of the Committee or any of its members shall require. At least once in each financial year, the Committee shall meet with the internal auditors and with the external auditors, with any member of the management team present, as provided in these Terms of Reference.
- 4.2 Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, Chief Executive.

#### **5. NOTICE OF MEETINGS**

- 5.1 Meetings of the Committee shall be called by the Committee Chair in accordance with these Terms of Reference and at the request of any member of the Committee, the external audit lead partner or internal auditors if they consider it necessary. Unless otherwise agreed, notice of each meeting confirming the place, time and date, together with an agenda of items to be discussed and any supporting papers, shall be circulated or made available electronically to each member of the Committee and to any other person required to attend, no later than five (5) working days before the date of the meeting.

#### **6. MINUTES OF MEETINGS**

- 6.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance and, following approval by the members of the Committee.
- 6.2 Once agreed, minutes of the meetings shall be signed by the Committee Chairman.

#### **7. DUTIES**

- 7.1 The Committee may not resolve anything on behalf of the Board, but may make recommendations for the Board to resolve upon. The Committee should carry out the duties below for the Company and its subsidiaries as appropriate.

##### **Internal Control, Risk, Compliance, Fraud and Whistleblowing**

- 7.2 The Committee shall:

- (a) keep under review and report to the Board on its activities, on the adequacy and effectiveness of the Company's financial reporting (including if it is dissatisfied with any aspect of the proposed financial reporting by the Company), internal controls, and the procedures for the identification, assessment and reporting of business risks. In undertaking its review, the Committee shall consider and monitor any appropriate issues raised by Internal Audit in its internal controls reports and any disclosures from Internal Audit with respect to deficiencies in internal controls or any fraud;
- (b) review any report on the effectiveness of internal controls and risk management required to be included in the Annual Report and Accounts;
- (c) receive risk and compliance reports once per year;
- (d) regularly review the Company's risk register and receive reports on a regular basis from management providing information on risk management;
- (e) consider matters of business culture, business conduct and ethics and receive regular reports in relation to such matters;
- (f) receive a report on the procedures currently in place for the prevention and detection of bribery. Details of any material non-compliance and any cases of bribery in the relevant period will be advised, with any significant issues being brought to the Committee's attention as soon as practicable. The Committee shall advise the Board on the adequacy of these procedures and any recommendations for improvements;
- (g) review the Company's procedures for detecting fraud;
- (h) review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

#### **Internal Audit**

##### **7.3 The Committee shall:**

- (a) review and comment upon a summary of the annual internal audit plan relevant to the Company;
- (b) review summary reports on the Company from internal auditors dealing with key control issues, any significant control findings and management's responsiveness to such matters as well as other matters of specific interest to the Committee;
- (c) meet with the internal auditors at least once a year without management being present to discuss the remit of the Internal Audit function and issues arising from its activities;
- (d) monitor and review the effectiveness of the Internal Audit function; and
- (e) receive a regular update from appropriate senior management on the process for identifying, quantifying, mitigating, measuring and responding to cyber-security risks.

#### **External Audit**

##### **7.4 The Committee shall:**

- (a) review the external audit plan and fees relevant to the Company;
- (b) meet with the external auditors at least twice each year, normally pre and post audit at the reporting stage, and on any other such occasions as are required. Management shall not be present at these meetings;
- (c) review the findings of the audit in respect of the Company with the external auditors including, but not limited to, discussing any major issues and management's response to such issues, accounting and audit judgements and the levels of errors identified;

- (d) review any representation letters requested by the external auditors in respect of the Company before they are signed by management. The Committee shall review the management letter and management's response to the auditor's findings and recommendations;
- (e) review the independence and objectivity of the external auditors;
- (f) review and make recommendations to the Board in relation to the appointment or removal of the external auditors of the Company; and

#### **Financial Statements**

7.5 The Committee shall:

- (a) monitor the integrity of the Company's financial statements included in its Annual Report and Accounts and its Regulatory Accounts; and
- (b) review and challenge where necessary the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made, including the assumptions or qualifications in support of the going concern statement and the viability statement (if applicable to the Company) as to the Company's ability to continue in operation and meet its liabilities taking account of: its current position and principle risks; the consistency of, and any changes to, significant accounting policies both on a year-to-year basis and across the Company; all material information presented with the financial statements, such as the business review and the corporate governance statements relating to audit and to risk management; the methods used to account for significant or unusual transactions where different approaches are possible; applicable accounting standards followed or reconciled in the financial statements; and any other significant financial reporting judgements made by management.

#### **Reporting Responsibilities**

7.6 The Committee shall:

- (a) review the Annual Report and Accounts and make recommendations to the Board with respect to the disclosures contained therein. The Committee shall review the financial statements with management and its external auditors, consistent with its duties;
- (b) where requested by the Board, provide advice on whether the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy; and

#### **Other Matters**

7.7 The Committee shall:

- (a) oversee any investigation of activities which are within these Terms of Reference and shall be responsible for resolving any dispute that may arise between the external auditors, internal auditors and the Company; and
- (b) on a regular basis, but no less than annually, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness. The Board should also review the Committee's effectiveness annually.

### **8. COMMITTEE'S INTERFACE WITH OTHER COMMITTEES AND REPORTING RESPONSIBILITIES**

8.1 The Committee shall interface with:

- (a) the senior management of the company in respect of business conduct, ethics and bribery;
  - (b) the Health and Safety Committee on safety and health, matters considered by that committee; and
  - (c) Remuneration Committee on remuneration and nomination matters considered by that committee.
- 8.2 The Committee shall report to the Board on its proceedings and shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed or desirable.

## **9. AUTHORITY**

- 9.1 Subject to any restrictions imposed by law, the Committee is authorised to seek any information it requires from any employee of the Company and its subsidiaries in order to perform its duties.
- 9.2 The Committee is authorised to call any member of staff to be present at a meeting of the Committee as and when required.
- 9.3 The Committee has the authority to access sufficient resources and professional advice as is reasonable, at the Company's expense, in order to carry out its duties, including access to the Company Secretarial for assistance as required.
- 9.4 Save as expressly provided herein, the Committee shall not be entitled to sub-delegate all or any of the powers and authorities recognised to it.

## **10. OTHER**

- 10.1 The Committee should, on a regular basis but not less than annually, review its own performance, constitution and these Terms of Reference and seek approval of the Board to any changes. The Board should also review the Committee's effectiveness annually. An external review of the Committee's effectiveness may also be undertaken.
- 10.2 Members shall be provided with training as appropriate, both in the form of an induction programme for new members and on an ongoing basis for all members.