

3. BOARD COMMITTEES

A. Audit & Risk Committee

Terms of Reference

(As approved at the Board Meeting held on 14 November 2019)

Membership

1. The Audit & Risk Committee (“the committee”) is appointed by the board on the recommendation of the Nominations Committee in consultation with the chairman of the committee. All members of the committee shall be independent non-executive

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review its own performance, constitution and terms of reference at least once a year to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval; and

consider other topics, as referred to it by the board.

13. In particular, the committee shall

Financial Reporting

review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements before submission to the board, paying particular attention to:

critical accounting policies and practices: their appropriateness, any changes in them, and the consistency of their application from year to year and throughout the Group;
decisions requiring a major element of judgement and the appropriateness of the estimates and judgements made;

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whether the company's reports (including all price-sensitive public reports and reports to regulators that are within the remit of the audit committee) are fair, balanced and understandable and whether the annual report provides the information necessary for shareholders to assess the company's performance, business model and strategy; advising the board if it is not satisfied with any aspect of the company's proposed financial reporting;

External Audit

oversee the process for selecting the external auditor;

ensure that at least once every 10 years the audit services contract is put out to tender and that tenders are conducted in accordance with all relevant regulatory requirements;

oversee the relationship with the external auditor, including, but not limited to:

approving the remuneration and, terms of engagement of the external auditor;

approving the annual audit plan and before each audit commences, the nature and scope of the audit;

reviewing the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements;

assessing annually the effectiveness of the external audit process;

pre-approving (above any limits previously agreed by the committee or not delegated to the chairman of the committee for approval*) any fees in respect of non-audit services provided by the external auditor (or by any firm providing internal audit services);

(* as at November 2018 all spend on non-audit services with the external audit firm requires approval of the chairman of the committee subject to the Group Financial Controller being able to approve any single expenditure of £10,000 provided that in any year he did not approve more than £50,000 in aggregate.)

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review and approve the internal audit programme and ensure that the internal audit function (whether carried out by permanent employees of the Group or by a professional firm providing internal audit services) is adequately resourced and has appropriate standing within the company;

consider management's response to any major internal audit recommendations;

ensure that the internal auditor has direct access to the board and committee chairmen;

Internal Controls and Risk Management

monitor the internal control and risk management systems and review annually management's and the internal auditor's reports on the effectiveness of those systems;

review the adequacy and security of the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, their investigation and follow-up;

review the company's procedures for detecting fraud;

review the company's systems and controls for the prevention of bribery and

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Company Secretary

19. The Company Secretary should ensure that the committee receives relevant