

## **1.0 Audit Committee: Terms of Reference**

### **1.1 Composition of Committee**

The members of the Audit Committee will comprise at least three Independent Non Executive Directors at least one of whom will have had recent and relevant financial experience. The quorum for a meeting of the Audit Committee will be two members. The Secretary of the Committee is to be determined by its Chairman.

### **1.2 Role, scope and authority delegated to the Committee**

1.2.1 The Audit Committee is comprised of Independent Non-Executive Directors, and is intended to provide appropriate and regular lines of communication between the Board and the external and internal auditors.

1.2.2 The Chief Executive and Chief Financial Officer of the Company, together with representatives of the external auditors will usually be present at Committee meetings and the Head of Internal Audit will attend those parts of the meetings that the Committee Chairman deems appropriate.

The Committee Chairman, the external auditor or the Head of Internal Audit may request a meeting with the Committee at which all or certain of the Executive Directors are not present.

1.2.3 In pursuance of its duties the Committee will have regard to the provisions of the Combined Code and may, to the extent it deems necessary, seek advice from any employee of the Company and of its subsidiaries and may, at the Company's expense, obtain external legal, accounting and/or other independent advice:

- (a) to monitor the integrity of the financial statements of the Company and all of its subsidiaries and affiliates,
- (b) to recommend to the Board the adoption of the Annual and Interim Reports and the Preliminary Announcement, and also consider the Annual Financial Statements of the Company and its subsidiaries having regard to the accounting, regulatory and statutory requirements that are current and best practice,
- (c) to monitor formal announcements of the Company's financial performance,
- (d) to review any significant reporting judgements relating to financial statements and formal announcements of the Company,
- (e) to monitor and review the effectiveness of the internal audit function and make recommendations to the Board with regard thereto,
- (f) to review and monitor all aspects of the Company's relationship with its external auditor, including making recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment or removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors,

- (g) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process taking into account relevant UK professional and regulatory requirements,
- (h) 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 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,
- (i) to review the internal financial controls and to review the internal control and risk management systems of Charter Companies,
- (j) to make recommendations to the Board in relation to the need, if any, for whistle-blowing policies and procedures additional to those detailed in the Policies and Procedures Manual and to review the operation of any such policies and procedures to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action and
- (k) to review the annual programme of the internal audit function, meet with the head of the function at least once a year to consider any material findings that it has brought to the Committee's attention and to monitor generally management's responses to internal audit findings.

### 1.3 Reporting Responsibilities

The Audit Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

### 1.4 Annual General Meeting

The Audit Committee Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions concerning the Committee's activities.