

## **AUDIT COMMITTEE**

### **Constitution**

1. The board hereby resolves to establish a Committee of the Board under powers conferred by article 96 the Articles of Association of the Corporation to be known as the Audit Committee. This resolution supersedes all previous resolutions of the Board relating to the establishment, constitution and duties of the Audit Committee.

### **Membership**

2. The Committee shall be appointed by the Board from amongst the independent non-executive directors of the Corporation and shall consist of not less than two members. A quorum shall be two of the members. The Chairman of the Corporation shall not be a member of the Committee but may be invited to attend meetings.
3. The Chairman of the Committee shall be appointed by the Board. In the absence of the Chairman, if the meeting is quorate, the Committee members present first shall agree that one of them should act as Chairman for the purposes of the meeting. If the meeting is not quorate, it shall be postponed and re-arranged for another day.

### **Attendance at Meetings**

4. The Chief Executive, the Chief Financial Officer, the Internal Auditor, the Group Risk Officer and a representative of the external auditors shall normally attend meetings but the Committee may decide to hold a meeting with the external auditors in the absence of the Chief Executive and the Chief Financial Officer. Other non-executive directors shall have the right to attend any meeting.

### **Secretary**

5. The Company Secretary shall be the Secretary of the Committee. If the Chief Executive or the Chief Financial Officer is also the Company Secretary and the Committee wishes to hold a meeting in the absence of management, a member of the Committee shall act as Secretary for that meeting. The Company Secretary shall advise the Committee on the Group's compliance with the financial aspects of corporate governance, their remit, the requirements of the Corporation's Articles of Association, company law in general, the requirements of the UK Corporate Governance Code and any other obligations under the Listing Rules of the UKLA.

### **Frequency of meetings**

6. Meetings shall be held not less than three times a year; once to consider the Half Yearly Report, once to discuss the scope of the annual audit with the external auditor and once to consider the Annual Report and Financial Statements. The external auditors may

request a meeting if they consider one necessary. The Committee will hold such additional meetings as it considers necessary to perform its duties as specified below.

### **Authority**

7. The Committee is authorised by the Board to investigate any activity which is considered to be relevant to the carrying out of its duties. It is authorised to seek any information it requires from any Group employee and all Group employees are directed to co-operate with any request made by the Committee.
8. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **Duties**

9. The duties of the Committee shall be:

### **Financial reporting**

- To monitor the integrity of the financial statements of the Corporation and any formal announcements relating to the Corporation's financial performance before submission to the Board, focussing particularly on:-
  - i) the consistency of, and any changes to, accounting policies and practices;
  - ii) major judgmental areas including, but not limited to, the review of the basis of the valuation of any unlisted or impaired investments;
  - iii) significant adjustments arising from the audit;
  - iv) the methods used to account for significant or unusual transactions;
  - v) compliance with applicable accounting standards and practices;
  - vi) the clarity of disclosure in the Corporation's financial reports;
  - vii) all material information presented with the financial statements, such as the strategic report and the corporate governance statements (insofar as it relates to the audit and risk management);
  - viii) concluding that the annual report and financial statements as a whole are fair, balanced and understandable;
  - ix) the going concern assumption; and
  - x) compliance with applicable UKLA, London Stock Exchange, legal and other regulatory requirements.

### **Internal controls and risk management systems**

- To keep under review the adequacy and effectiveness of internal control and risk management systems.
- Review and approve the statements to be included in the annual report concerning internal controls and risk management.

## **External audit**

- To consider the appointment, re-appointment and removal of the external auditor and make recommendations to the board. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- To set the remuneration of the auditor, whether for audit or non-audit services.
- Approval of the auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.
- To review and monitor annually the auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.
- Assess annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process.
- To discuss problems and reservations arising from the annual audit, and any other matters the auditor may wish to discuss (in the absence of management where necessary).
- Review any representation letter(s) requested by the external auditor.
- To review the auditor's management letter and management's response.
- To develop and implement policy on the engagement of the external auditor to supply non-audit services.

## **Internal audit, risk, compliance and whistleblowing**

- To approve the internal audit programme, receive reports from the internal auditor and oversee the implementation of any corrective actions.
- Review regular reports from the Group Risk Officer.
- Review reports from the compliance officer and/or Company Secretary.
- To review the arrangements in place for Group staff in confidence to raise concerns about possible improprieties in matters of financial reporting or other matters insofar as they may affect the Group.

## **Reporting Procedures**

10. Minutes of meetings of the Committee shall be made available to all members of the Board.
11. The Internal Auditor will report directly to the Chairman of the Committee. The Group Risk Officer may report directly to the Chairman if he has concerns that have not properly been addressed via the Executive Risk Committee.