

Terms of reference for the audit committee (Adopted by the board on 22 April 2009)

1 Constitution

- 1.1 The board hereby resolves to establish a committee of the board, to be known as the Audit Committee ('the committee').

2 Membership

- 2.1 The committee shall be appointed by the board on the recommendation of the nomination committee in consultation with the committee chairman. All members of the committee shall be independent non-executive directors of the company. The committee shall consist of not less than three members. Two members shall comprise a quorum at any meeting of the committee.
- 2.2 The chairman of the committee shall be appointed by the board from amongst the independent non-executive directors.
- 2.3 The board shall be satisfied that at least one member of the committee has recent and relevant financial experience.
- 2.4 The Chairman of the company shall not be a committee member.
- 2.5 Appointment should be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

3 Attendance at meetings

- 3.1 No one other than the committee's chairman and members is entitled to be present at the meeting of the committee. It is for the committee to decide if non-members should attend for a particular meeting or a particular agenda item. It is expected that the external audit lead partner will be invited regularly to attend meetings as well as the Group Finance Director and the head of the internal audit function. Others may be invited to attend.
- 3.2 The Chairman of the board and other board members shall attend meetings if invited by the committee.
- 3.3 There should be at least one committee meeting, or part of a meeting, each year where the external auditors and internal auditors attend without any executive director being present to discuss matters relating to its remit and any issues arising from the audit.
- 3.4 The company secretary (or its nominee) shall act as the secretary of the committee.

4 Frequency of meetings

- 4.1 It is for the committee chairman, in consultation with the company secretary, to decide the frequency and timing of the committee's meetings. There should be as many meetings as the committee's role and responsibilities require, expected to be not less than three times each

year held to coincide with key dates in the company's financial reporting and audit cycle.

4.2 Sufficient time should be allowed to enable the committee to undertake as full a discussion as may be required. A sufficient interval should be allowed between committee meetings and board meetings to allow any work arising from the committee meeting to be carried out and reported to the board as appropriate.

4.3 The committee chairman and the other members of the committee will keep in touch on a continuing basis with the key people involved in the company's governance, including the Chairman, the Group Chief Executive, the Group Finance Director, the external audit lead partner and the head of the internal audit function.

5 Authority and Resources

5.1 The committee is authorised by the board to:

- Seek any information that it requires from any employee (and all employees are directed to co-operate with any request made by the committee); and
- Obtain, at the company's expense, external legal or other independent professional advice and request advisers to attend meetings as necessary.

5.2 The committee shall be provided with sufficient resources to undertake its duties.

5.3 The committee shall have access to the services of the company secretary on all committee matters including assisting the chairman in planning the committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of necessary practical support.

5.4 The company secretary shall ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to all issues.

6 Responsibilities

6.1 The responsibilities of the committee are as follows:

- To have primary responsibility for the making of any recommendations on the appointment, reappointment and removal of the external auditors through the board, to the shareholders for consideration at the annual general meeting. In the event that the board does not accept the committee's recommendation, it shall include in the annual report and in any papers recommending appointment or reappointment, a statement from the committee explaining its recommendation and shall set out reasons why the board has taken a different position;
- In the event of resignation by the external auditor, to investigate the issues giving rise to such resignation and to consider whether any action is required;

- To consider in its risk evaluation and planning the need to include the risk of the withdrawal of the external auditor from the market;
- To approve the remuneration and the terms of engagement of the external auditor and to pre-approve any fees in respect of non-audit services provided by the external auditor and to ensure that the provision of non-audit services does not impair the independence or objectivity of the external auditor. In so doing, the committee shall ensure that the terms of engagement of the external auditor have been updated to reflect changes in circumstances arising since the previous year, that the level of fee payable in respect of the audit services to be provided is appropriate and that an effective audit can be conducted for such a fee;
- To assess annually the independence and objectivity of the external auditor, taking into consideration relevant UK professional and regulatory requirements, including consideration of all relationships between the company and the audit firm (including the provision of non-audit services). In doing so, the committee shall consider whether, taken as a whole and having regard to the views, as appropriate, of the external auditor, management and the internal audit function, all relationships between the company and the audit firm appear not to impair the auditor's independence and objectivity. The committee shall develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provisions of non-audit services by the external auditor. In this context, the committee shall consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services, whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor, the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit fee and the criteria which govern the compensation of the individuals performing the audit. The Committee shall ensure that key partners are rotated at appropriate intervals and shall give consideration to whether there be any benefit in using firms from more than one audit network;
- To discuss with the external auditor, before the audit commences, the nature and scope of the audit, and any additional assurance or reporting that may be required, and to review the auditor's quality control procedures and the steps taken to respond to changes in regulatory and other requirements;
- To consider whether the external auditor's overall work plan, including planned levels of materiality and proposed resources to execute the audit plan, appears consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- To consider whether there is appropriate liaison and co-ordination between the internal and external auditors;
- To review the external auditor's management letter and management's response;
- To review the internal audit programme and to monitor and review the effectiveness of the company's internal audit function and the group's system of internal controls in which respect the committee shall ensure

that the function has the necessary resources and access to information to enable it to fulfill its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors and that it has direct access to the Chairman of the company and the chairman of the committee;

- To approve the appointment or dismissal of the head of internal audit;
- To review arrangements by which the staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, in which respect the committee's objective shall be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate following action;
- To review periodic reports from management and the internal auditors on the effectiveness of the systems for internal financial control, financial reporting and risk management and review and monitor management's responsiveness to the findings and recommendations of the internal audit function;
- To monitor the integrity of, review, and challenge where necessary, the financial statements and any formal announcements relating to the company's financial performance (reviewing significant financial reporting judgments contained in them) and the actions and judgments 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 and any changes in them;
 - Decisions requiring a significant element of judgment;
 - The extent to which the financial statements are affected by any unusual transactions in the year, and how they are disclosed;
 - The clarity of disclosures;
 - Significant adjustments resulting from the audit;
 - The going concern assumption;
 - Compliance with accounting standards; and
 - Compliance with UK Listing authority, stock exchange or other requirements.
- To review the company's statements on compliance with the Combined Code, going concern and the review of the effectiveness of the company's system of internal control prior to endorsement by the board, and in particular to review:
 - The policies and processes for identifying and assessing business risks and the management of those risks to the company;
 - The company's policies for ensuring compliance with relevant legal and regulatory requirements;

- The company's policies for the prevention and detection of fraud; and
- The effectiveness of such policies and procedures in practice;
- To discuss any problems and reservations arising from the external audit and any matters that the external or internal auditors may wish to discuss (in the absence of management where necessary);
- To review the audit representation letters before signature by management and to give particular consideration to matters where representation has been requested which relates to non-standard issues;
- To assess at the end of the annual audit cycle, the effectiveness of the external audit process; and
- To consider other topics and issues as defined by the board.

7 Reporting Procedures

- 7.1 The committee shall 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.
- 7.2 The chairman of the committee, or as a minimum another member of the committee, shall attend the board meeting at which the annual accounts and reports are approved;
- 7.3 The terms of reference of the committee, including its role and the authority delegated to it, shall be made available. The committee's responsibilities and activities during the year shall be disclosed in the annual report and accounts which shall include a summary of the role of the committee, the names and qualifications of all members of the committee during the period, the number of committee meetings, a report on the way in which the committee has discharged its responsibilities, an explanation of the way in which it reached its recommendation to the board on the appointment, reappointment or removal of the external auditor and an explanation of how, if the external auditor provides non-audit services auditor objectivity and independence is safeguarded; and
- 7.4 The chairman of the committee, or as a minimum another member of the committee, shall attend the AGM and answer questions, through the chairman of the board, on the committee's responsibilities and activities.

8 Self-assessment and appraisal

- 8.1 The committee shall conduct an annual review of its work and terms of reference, and an annual assessment of its own effectiveness and make recommendations to the board.
- 8.2 The committee shall review annually its terms of reference and recommend any necessary changes to the board.

9 Skills, Experience and Training

- 9.1 The company shall provide an induction programme for new audit

committee members. This shall cover the role of the committee, including its terms of reference and expected time commitment by members and an overview of the company's business, identifying the main business and financial dynamics and risks. It shall also include meetings with such key employees within the company as the chairman of the committee, in consultation with the company secretary, determines.

- 9.2 Training shall also be made available to members of the committee on an ongoing and timely basis and shall include an understanding of the principles of and developments in financial reporting and related company law. In appropriate cases, it may also include, for example, understanding financial statements, applicable accounting standards and recommended practice; the regulatory framework for the company's business; and the role of internal and external auditing and risk management.