

Definitions

The following words and expressions have the following meanings:

- “the Committee” shall mean the Audit Committee;
- “the Board” shall mean the Board of Directors;
- “the Company” shall mean RM plc; and
- “the Group” shall mean the Company together with its subsidiary holdings.

Constitution

- 1) The Board hereby confirms the establishment of a Committee to the Board to be known as the Audit Committee.

Membership

- 2) The Committee shall be appointed by the Board. All members of the Committee shall be independent Non-Executive Directors of the Company. The Committee shall consist of not less than three members and shall normally include all independent Non-Executive members of the Board. A quorum shall be two members.
- 3) The Chairman of the Committee shall be appointed by the Board from amongst the independent Non-Executive Directors, but shall not also be the Chairman of the Board.
- 4) In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting, but not the Chairman of the Board.
- 5) The Board should satisfy itself that at least one member of the Committee has recent and relevant financial experience.

Meetings - attendance

- 6) The Chief Executive, Chief Financial Officer, Group Financial Controller and a representative of the external auditors, normally the lead partner, shall attend meetings at the invitation of the Committee. Other Board members shall attend if invited by the Committee.

- 7) There should be at least one meeting a year, or part thereof, where the external and internal auditors (where appointed) attend without management present.
- 8) The Company Secretary or their nominee shall be Secretary to the Committee.

Meetings - method

- 9) Meetings of the Committee may take place either by physical attendance of the members of the Committee or by conference call, email or any other method reasonably determined by the Chairman.
- 10) Notice of each meeting confirming the venue, time and date (together with an agenda of items to be discussed) shall be forwarded to each member of the Committee no fewer than one working day prior to the meeting.
- 11) A sufficient interval should be allowed between Committee meetings and Board meetings to allow any work arising from the Committee to be carried out and reported to the Board as appropriate.
- 12) The Secretary shall keep appropriate records of all meetings of the Committee with appropriate minutes of the proceedings and resolutions.
- 13) The Secretary shall circulate the minutes of meetings of the Committee to all Committee members and to the Chair of the Board. Any Director may, upon request to the Secretary of the Committee, receive Committee agenda and minutes of meetings, subject to there being no conflict of interests.

Meetings - frequency

- 14) The Committee Chairman shall decide the frequency and timing of meetings. Notwithstanding, meetings shall be held not less than three times a year, and where appropriate should coincide with key dates in the Company's reporting cycle.
- 15) External auditors or internal auditors may request a meeting if they consider that one is necessary.

Authority

- 16) The Committee is authorised by the Board to:
- investigate any activity within its Terms of Reference;
 - seek any information that it requires from any employee of the Company or Group and all employees are directed to cooperate with any request made by the Committee;
 - obtain external legal or independent professional advice, at the Company's expense, and such advisors may attend meetings as necessary; and
 - have the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

Annual General Meeting

- 17) The Chairman of the Committee should attend the Annual General Meeting of the Company to answer shareholder questions on the Committee's activities.

Duties

- 18) The Committee shall carry out the following duties:

a) **Financial reporting**

The Committee shall:

- monitor the integrity of the financial statements of the Company and the Group, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain; and
- in particular, review and challenge where necessary:
 - the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group;
 - the methods used to account for significant or unusual transactions where different approaches are possible;

- whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Company's auditors;
- the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- all material information presented with the financial statements, such as the business review or operating and financial review and the corporate governance statement (insofar as it relates to the audit).

b) Internal controls and risk management systems

The Committee shall:

- keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems; and
- review and approve the statements to be included in the Annual Report concerning internal controls.

c) Whistleblowing and fraud

The Committee shall:

- review the adequacy and security of the Group'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;
- review the Group's procedures for detecting fraud; and
- review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

d) Internal audit

The Committee shall:

- monitor and review the effectiveness of the Group's internal audit processes in the context of the Company's overall risk management system;
- consider and approve the remit of internal audit and ensure adequate resources and appropriate access to information have been provided to enable the internal audit plan to be conducted;
- review and assess the annual internal audit plan;
- review reports addressed to the Committee; and
- review and monitor management's responsiveness to the findings and recommendations of the internal audit process.

e) External audit

The Committee shall:

- consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's auditors. 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;
- oversee the relationship with the Company's auditors including (but not limited to):
 - making recommendations on their remuneration, whether in respect of audit or non-audit services, ensuring that the level of fees is appropriate to enable an adequate audit to be conducted;
 - approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of any non-audit services;
- satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Company's auditors and the Company or Group (other than in the ordinary course of business);
- monitoring the Company's auditors' compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Group and other related requirements;
- assessing annually the qualifications, expertise and resources of the Company's auditors and the effectiveness of the audit process, which shall include a report from the auditors on their own internal quality procedures; and
 - seeking to ensure co-ordination with internal audit activities;
- meet regularly with the auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the Company's auditors at least once a year, without management being present, to discuss the Company's auditors' remit and any issues arising from the audit;
- review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and
- review the findings of the audit with the Company's auditors. This shall include, but not be limited to, the following:
 - a discussion of any major issues which arose during the audit;
 - any accounting and audit judgements;
 - levels of errors identified during the audit; and
 - the effectiveness of the audit.

Reporting procedures

- 19) The Audit Committee shall report to the Board on how it has discharged its responsibilities. This reporting shall include:
 - the significant issues that it considered in relation to the financial statements and how these issues were addressed;
 - its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - any other issues on which the Board has requested the Committee's opinion.
- 20) The Committee shall prepare a separate report to be included within the Company's Annual Report and Accounts which includes a summary of its duties and activities during the year.
- 21) The Committee members shall conduct an annual review of their work and these Terms of Reference and make recommendations to the Board.
- 22) These Terms of Reference shall be made available to shareholders via the Company's website.