



**TERMS OF REFERENCE OF AUDIT COMMITTEE  
OF  
KELLER GROUP PLC (“the Company”**

*Reference to “the Committee” shall mean the Audit Committee.*

*Reference to “the Board” shall mean the Board of Directors.*

*References to “the Group” shall mean the Company and its subsidiaries*

**A. Membership**

1. The Committee shall comprise a Chairman and two or more other members from amongst the independent non-executive directors, each of whom shall be appointed by the Board.
2. At least one of the members shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
3. The external auditors and the Finance Director will be invited to attend meetings of the Committee on a regular basis. Other individuals may be invited to attend all or part of any meeting as and when appropriate.
4. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
5. The Board shall appoint the Committee Chairman who should be an independent non-executive director.
6. The Company Secretary or their nominee shall be the Secretary of the Committee.

**B. Meetings**

1. The Committee shall meet at least three times a year and at such other times as the Chairman of the Committee shall require. Meetings should be organised so that attendance is maximised (e.g. by time-tabling them to coincide with Board meetings).
2. A meeting of the Committee may be called by the Secretary at the request of any of its members or at the request of external auditors if they consider it necessary.
3. Notice of each meeting of the Committee, confirming the venue, time and date, and enclosing an agenda of items to be discussed together with supporting papers shall, unless otherwise agreed by all concerned, be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, not fewer than three working days prior to the date of the meeting.

4. The quorum for the Committee meetings shall be two members.
5. 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.
6. The Committee shall meet with the external auditors and if applicable the internal auditors either together or with each separately, as deemed appropriate, at least twice a year. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
7. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
8. The Secretary shall keep appropriate records of all meetings of the Committee with appropriate minutes of the proceedings and resolutions.
9. Copies of the minutes of the meetings shall be circulated to all members of the Committee and, once agreed, to all members of the Board and to the Auditors in respect of any meeting, or part of a meeting, which they have attended.

#### **C. Annual General Meeting**

1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to shareholders' questions on the Committee's activities.

#### **D. Duties**

##### **D.1 External Audit**

##### **The Committee shall:**

1. consider and make recommendations to the Board as regards the appointment, re-appointment and removal of the Company's external auditors. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
2. review the relationship with external auditors; this includes:
  - a. approval of audit fees as well as other fees which are payable to auditors in respect of non-audit activities in accordance with the agreed policy;
  - b. approval of their terms of engagement and the scope of the audit;
  - c. annual assessment of their independence and objectivity, including review, on an annual basis, of a formal written statement setting out all relationships between the external auditors and the company ("statement as to independence") and addressing each non-audit service provided to the company, if any, and at least the matters required to be reported on by SAS 610;

- d. agreeing with the Board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy;
  - e. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
  - f. assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, which shall include a review from the external auditor of their own internal quality procedures.
3. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  4. review the findings of the audit with the external auditor. This shall include:
    - a. a discussion of any major issues that arose during the audit;
    - b. any accounting and audit judgements; and
    - c. levels of error identified during the audit;
  5. review the effectiveness of the audit;
  6. review on behalf of the Board any Group representation letter(s) requested by the external auditors before they are signed by management;
  7. review the Group management letter and management's response to the auditors' findings and recommendations; and
  8. develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## **D.2 Internal Control and Risk Assessment**

### **The Committee shall:**

1. keep under review the effectiveness of the company's financial reporting and internal control policies and the procedures for the identification, assessment and reporting of risks and the steps taken to manage such risks; this shall include:
  - a. receiving and reviewing an annual report on internal control, which review shall, in particular, consider:
    - i. changes since the last review in the nature and extent of significant risks and the company's ability to respond effectively to changes in its business and external environment;
    - ii. the scope of management's ongoing monitoring of risks and the system of internal control; and
    - iii. the incidence of any significant control failings or weaknesses identified during the period which have had, or had the potential for, a material impact on the company's financial performance;

- b. considering the findings of any major internal investigations into control weaknesses, fraud or misconduct and management's response; and
2. review and approve the statements to be included in the Annual Report concerning internal controls and risk management and, in particular, ensure that the statements provide meaningful, high-level information and do not give a misleading impression.

### **D.3 Whistleblowing**

1. The Committee shall review the arrangements for the Group's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

### **D.4 Internal Audit**

#### **The Committee shall:**

1. consider annually whether there should be an internal audit function and make recommendations to the Board accordingly;
2. if applicable, approve the appointment of the head of the internal audit function;
3. if applicable, approve the terms of reference of the internal audit function;
4. if applicable, review the internal audit programme, consider the findings of internal audit investigations and management's response;

### **D.5 Financial Statements**

1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports and preliminary results' announcements, reviewing significant financial reporting issues and judgements which they contain.
2. The Committee shall review and challenge where necessary:
  - a. the consistency of, and any changes to, accounting policies both on a year to year basis and across the Group;
  - b. the methods used to account for significant or unusual transactions where different approaches are possible;
  - c. whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - d. the clarity of disclosure in the company's financial reports and the context in which statements are made; and
  - e. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

## **D.6 Reporting Responsibilities**

1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
3. The Committee shall compile a report to shareholders on its activities, to be included in the Company's Annual Report.

## **D.7 Other Matters**

### **The Committee shall:**

1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
2. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;
3. be responsible for co-ordination of the external auditors and, if applicable, internal auditors;
4. ensure that the Finance Director, and if applicable, the head of internal audit has the right of direct access to the Chairman of the Committee; and
5. oversee any investigation of activities which are within its terms of reference and act as a court of last resort; and
6. at least once a year, review its own performance and terms of reference, to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## **E. Authority**

### **The Committee shall:**

1. have the right to seek any necessary information to fulfil the above;
2. have the power to call any member of staff to be questioned at a meeting of the Committee as and when required; and

have the right to obtain outside legal help and any professional advice, at the company's expense, which might be necessary for the fulfilment of its duties. Any authority to incur costs at the Company's expense is subject to the Company's prior approval to the expenditure and such approval shall not be unreasonably withheld.