
Audit Committee

Terms of reference

A. Purpose

The role of the Audit Committee is to monitor the integrity of the financial statements of the Company and review and, when appropriate, make recommendations to the Main Board on business risks, internal controls and compliance.

The Committee satisfies itself, by means of suitable steps and appropriate information, that proper and satisfactory internal control systems are in place to identify and contain business risks and that the Company's business, and that of its subsidiaries, is conducted in a proper and economically sound manner.

B. Membership and Procedures

The Audit Committee is appointed by the Main Board and comprises at least three members, all of whom shall be independent Non-Executive Directors as determined by the Main Board, in accordance with the provisions of the UK Corporate Governance Code, applicable US federal securities laws and regulations and NYSE listing standards.

At least one member will have recent and relevant financial experience and the Committee as a whole will be financially literate and have competence relevant to the sectors in which the Group operates. The quorum is any two members of the Committee.

The Committee chairman will be appointed by the Main Board and in the absence of the Committee chairman the members present will elect one of their number to chair the meeting. The Committee chairman will be an independent Non-Executive Director.

At least annually the Main Board shall consider whether to designate one or more Committee members as "Audit Committee financial experts" in accordance with US federal securities laws and regulations.

The Finance Director, Director, Legal & External Affairs and General Counsel, Group Head of Internal Audit and a representative of the external auditors will regularly attend meetings of the Committee. No one other than the Committee chairman and members will be entitled as of right to attend or vote at a meeting of the Committee. The Chairman, Chief Executive and any relevant senior management may attend by invitation. The Committee will meet with the Company's external auditors and, separately, the internal auditors, without others present, at least annually. For clarity, the internal auditors should not attend the external auditors' private audience and vice versa.

The Company Secretary or his or her nominee will act as the Secretary of the Committee and will prepare minutes for circulation to all members of the Main Board. The Company Secretary will also keep a record of the membership of and the dates of any changes to the membership of the Committee.

The Committee normally meets five times a year including immediately prior to the publication of the Company's full year and periodic results. The Committee will meet at such other times as the Committee chairman, the external or internal auditors or any member of the Committee may request.

The agenda for the meetings will be determined by the chairman of the Committee, taking into account the views of other members of the Committee as appropriate. The agenda and supporting papers, unless otherwise agreed, will be circulated to each member of the Committee no fewer than four working days prior to the date of the meeting.

Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Company's Articles of Association.

The Committee chairman will attend the Annual General Meeting and be available to answer questions from shareholders.

C. Authority

The Audit Committee is authorised by the Main Board to review any activity within the business. It is authorised to seek any information it requires from, and require the attendance at any of its meetings of, any Director or member of management, and all employees are expected to cooperate with any request made by the Committee.

The Committee is authorised by the Main Board to obtain, at the Company's expense (including payment of ordinary and administrative expenses), outside legal or other independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

These terms of reference may be amended from time to time as required subject to approval by the Main Board.

D. Responsibilities and Objectives

The responsibilities and objectives of the Audit Committee are as follows:

1. Financial Statements

The Committee will monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's performance, reviewing significant financial reporting issues and judgements contained in them (having regard to matters communicated to it by the auditor) before their submission to the Main Board for approval.

The Committee will take into account:

- (a) decisions requiring a major element of judgement;
- (b) the extent to which the financial statements are affected by any unusual transactions;
- (c) the clarity of the disclosures;
- (d) significant adjustments resulting from the audit;
- (e) the going concern assumption;
- (f) compliance with accounting standards; and
- (g) compliance with the Listing Rules, Prospectus Rules, Disclosure Guidance and Transparency Rules and other legal and regulatory requirements.

Where following its review the Committee is not satisfied with any aspect of the proposed financial reporting by the Company it shall report its views to the Main Board.

Where requested by the Main Board, the Committee shall review the content of the Company's Annual Report and Form 20-F in order to advise the Main Board on whether, taken as a whole, the Annual Report and Form 20-F is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The Committee will review management's representation letter in connection with the annual external audit (or the review or provision of other external audit services) before consideration by the Main Board, giving particular attention to matters that relate to non-standard issues.

The Committee will review the draft statement on internal control that will be included in the Company's Annual Report and Form 20-F before consideration by the Main Board. The Committee will also review the section of the Annual Report and Form 20-F describing the work of the Committee and how it has discharged its responsibilities, its members and their attendance records and the number of meetings held. This section will include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee has considered in relation to the financial statements and how these were addressed, and all other information requirements set out in the UK Corporate Governance Code.

The Committee will keep under review the consistency of accounting policies on a year to year basis across the Group and will review any proposed major discretionary accounting policy change in advance of its implementation.

The Committee will review the Group's internal controls as they relate to the pension funds of the Group.

2. Internal Controls and Business Risks

The Audit Committee will keep under review the effectiveness of the accounting, internal accounting controls, auditing matters and business risk systems of the Company and its subsidiaries and the receipt, retention and treatment of complaints related thereto. This will include:

- (a) ensuring there is due process for the identification and management of key business risks having particular regard to any significant deficiency or material weakness in internal control;
- (b) reviewing the Group risk register and emerging risks to the Group at least twice annually;
- (c) monitoring compliance with established policies, plans, instructions and procedures with particular reference to the Group Statement of Delegated Authorities approved by the Main Board;
- (d) monitoring compliance with the Company's Standards of Business Conduct;
- (e) ensuring there is due process for compliance with relevant national laws and regulations;
- (f) reviewing the reliability of management information procedures in the organisation including management reporting to the Main Board and the Management Board;
- (g) considering major areas of change prior to commencement and obtaining assurance that proper plans for control have been developed;
- (h) ensuring that there is due process for monitoring the efficiency and effectiveness of operational controls;
- (i) monitoring the Group's procedure for the safeguarding of its assets and ensuring the Company has adequate policies in place for the prevention and detection of fraud;
- (j) considering and discussing with the external auditors of the Company the adequacy of the accounting and internal controls of the Company and its subsidiaries; and
- (k) considering, and making recommendations in respect of, the Regional Audit and Corporate Social Responsibility Committee process, including reviewing the process by which the list of countries of review are determined by the relevant Regional Audit and Corporate Social Responsibility Committee with regard to the Group's annual countries of concern overview and receiving and reviewing reports from each such committee.

The Committee will also review:

- (i) arrangements by which staff in the Group may, in confidence and anonymity, raise concerns about possible improprieties in matters of financial reporting, including questionable accounting or auditing procedures, internal accounting controls, or other matters with the objective of ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action;
- (ii) the reports arising from the operation of those arrangements; and
- (iii) arrangements in place for the proportionate and independent investigation of such matters and for appropriate follow up action,

prior to referral to the Main Board for review.

3. Internal Audit

The Audit Committee will monitor and review the effectiveness of the Company's internal audit function. This will include:

- (a) approving the appointment or removal of the Group Head of Internal Audit and ensuring that the Group Head of Internal Audit has direct access to the chairman of the Committee;
 - (b) satisfying themselves as to the strategies, methodologies, plans, manning, resources and organisation for internal auditing and its standing within the Company, and the extent of the co-ordination with the external auditors;
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- (c) reviewing the reports received from the Group Head of Internal Audit without delay and considering management's responses; and
 - (d) requiring the prompt reporting of any inappropriate restrictions in the scope of internal audit activities. The Committee may also require investigations by, or under the authority of, the Group Head of Internal Audit (or such other member of management as they may consider appropriate) into any activities of the Group which may be of interest or concern to the Committee.

4. External Audit

The Audit Committee will:

- (a) annually evaluate the performance of the external auditors and recommend their reappointment or, if appropriate, make a recommendation for change, through the Main Board, for the shareholders to consider at the Annual General Meeting;
 - (b) approve the terms of engagement and the level of audit fees payable by the Company to the external auditors, to enable an effective and high quality audit to be conducted, and recommend them to the Main Board;
 - (c) review the level of fees charged by external auditors in respect of audit work for the Group's subsidiary companies;
 - (d) consider and discuss with the external auditors of the Company the scope of their audit prior to its commencement and, subsequently, the results, and review the effectiveness of the process, taking into account relevant UK professional and regulatory requirements;
 - (e) review the external auditors' management letter and any major recommendations of the external auditors and consider management's response;
 - (f) ensure that it reviews the independence and objectivity of the external auditors and in particular that the ratio of audit fees to consultancy fees charged by the external auditors does not put such independence or objectivity at risk and that they do not audit their own work;
 - (g) develop for recommendation to the Main Board and implement the Company's policy in relation to the provision of non-audit services by the external auditors, taking into account the UK Corporate Governance Code, the Financial Reporting Council's Guidance on Audit Committees and any other regulations or relevant ethical guidance regarding the provision of non-audit services by external auditors;
 - (h) develop for recommendation to the Main Board a policy on the employment of former employees of the external auditors and monitor implementation of the policy;
 - (i) review any explanation contained in the Annual Report and Form 20-F of the Company detailing how, if the external auditors provide non-audit services, their objectivity and independence are safeguarded;
 - (j) enforce a staggered five year rotation for the relationship, engagement, and concurring partners from the external auditors globally (ensuring that such partners do not simply reverse roles) and consider the provision of a dispensation to this requirement, where recommended by the appropriate Regional Audit and Corporate Social Responsibility Committee as a result of local circumstances; and
 - (k) ensure that it reviews quality and effectiveness of the services provided by the incumbent auditor in order to ensure that they are comparable with those of other audit firms and, where deemed necessary (or required under applicable law or regulation), conduct an appropriate tender and selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.
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