

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

(approved by the Board of Future plc on 14 July 2011)

### Constitution

1. The Board has established a Committee known as the Audit Committee. The purpose of the Committee is to ensure the ongoing monitoring and review of internal and financial control systems within the Group, as well as monitoring external auditors.

### Membership

2. The members of the audit committee shall be appointed by the board on the recommendation of the nomination committee in consultation with the chairman of the audit committee in accordance with the Company's articles of association from amongst the non-executive directors of the Company.
3. The Committee shall comprise at least two members all of whom should be independent in accordance with the UK Corporate Governance Code. At least one member shall have recent and relevant financial experience. The chairman of the board can be a member, but not chair, of the Committee, provided he or she was considered independent on appointment.
4. Each member shall hold office as a committee member for a period of up to three years, extendable for further periods of up to three-years, so long as members continue to be independent non-executive directors.
5. The chairman of the committee shall be appointed by the board. In the absence of the chairman of the audit committee (and/or an appointed alternate member), the members present at any meeting of the committee shall elect one of their number to chair the meeting.
6. If any member of the audit committee is unable to act for any reason, the chairman of the audit committee may appoint another non-executive director of the Company agreed by the other members of the audit committee, to act as that member's alternate.
7. The chairman and members shall be listed each year in the Company's annual report.
8. The company secretary or their nominee shall be the secretary of the audit committee.
9. Each member of the audit committee shall disclose to the audit committee:
  - (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the audit committee; or
  - (b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the audit committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the board) shall resign from the audit committee.

#### **Attendance at meetings**

10. No one other than the chairman and members of the audit committee is entitled to be present at a meeting of the audit committee.
11. The chairman and members of the audit committee shall, however, have the discretion to decide if non-members should be invited to attend for a particular meeting or a particular agenda item.
12. It is expected that the external audit lead partner will be invited regularly to attend meetings as well as the finance director.
13. At least once a year, the audit committee shall meet with the auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

#### **Meetings**

14. The audit committee chairman, in consultation with the company secretary, shall decide the frequency and timing of the audit committee's meetings. In any event, meetings shall be held not less than three times a year, to coincide with key dates within the financial reporting and audit cycle and in all events prior to year end and interim reporting. A meeting shall be held as soon as is reasonably practicable upon a request for such meeting by the Company's external or internal auditors.
15. The quorum for meetings of the audit committee shall be two members present throughout the meeting in person, by telephone or videoconference.
16. Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded to each member of the audit committee no fewer than three working days prior to the date of the meeting where reasonably possible. All reasonable efforts shall be made to give notice of meetings of the audit committee to all members of it and to arrange such meetings so that members are able to attend them.
17. In the event of equality of votes, the chairman of the audit committee shall have a casting vote.
18. The secretary of the committee shall prepare minutes of any meeting of the audit committee and, after approval and signature by the chairman of the audit committee, shall circulate them to all members of the board (unless a conflict of interest exists) and any invited attendees, if applicable.
19. The chairman of the audit committee shall be available to answer questions about the committee's activities at the annual general meeting of the Company.

All members of the audit committee shall also attend the annual general meeting.

### **Authority and duties**

20. The audit committee should be provided with sufficient resources to undertake its duties.
21. The audit committee is authorised by the board to obtain outside legal, accounting or other independent professional advice and to secure the attendance of outside advisors with relevant experience and expertise if it reasonably considers this necessary, at the Company's expense.
22. The audit committee shall have access to the services of the company secretariat on all audit committee matters including (but not limited to) assisting the chairman in planning the audit 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 practical support.
23. The audit committee is authorised by the board to investigate any activity within the scope of its duties, and to seek any information it requires from any employee of the Group. All employees are directed to co-operate with any request made by the audit committee.
24. The duties of the audit committee shall be:
  - (a) to monitor and challenge the integrity of the financial statements of the company, and any formal announcements relating to the company's financial performance, reviewing financial reporting judgements contained in them, focusing particularly on:
    - (i) considering accounting policies, any changes to them and any estimates and judgements (taking into account the views of the external auditor) both on a year on year basis and across the company/group;
    - (ii) where the accounting treatment is open to different approaches, considering whether the company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements (taking into account the views of the external auditor); and
    - (iii) reviewing the clarity and completeness of disclosures in the financial statements and considering whether the disclosures made are set properly in context;
  - (b) to monitor and review the effectiveness of: the company's internal controls and the systems established to identify, assess, manage and monitor financial risks; and, at least annually, the Group's internal control and risk management systems;
  - (c) to review and approve the statements included in the annual report in relation to audit, internal control and the management of risk;

- (d) to review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- (e) to review the company's procedures for detecting fraud;
- (f) review the company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (g) to the extent that there is an internal audit function, to review and approve the internal audit function's remit, having regard to the role fulfilled by the external audit function;
- (h) to the extent that there is an internal audit function, to monitor and review the effectiveness of the internal audit function, and ensure that it is adequately resourced, has access to the information necessary to enable it to fulfil its mandate, and is able to perform in accordance with appropriate professional standards for internal auditors;
- (i) to the extent that there is an internal audit function, to approve the appointment or termination of appointment of the head of internal audit;
- (j) if the company has no internal audit function, to annually consider the need for one and make a recommendation to the board;
- (k) to consider and make recommendations to the board, for it to put to the shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditor;
- (l) if the board does not accept the audit committee's recommendation on the appointment, reappointment and removal of external auditors, prepare a statement explaining the committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the board's reasons for taking a different position;
- (m) to consider the risk of the withdrawal of the company's present auditor from the market and to oversee the selection process for new auditors;
- (n) if the external auditor resigns, to investigate the issues leading to such resignation and to consider whether any action is required;
- (o) to review and agree the engagement letter with the external auditor at the start of each audit; to discuss with the external auditors before the audit commences and keep under review, the scope and results of the audit as well as whether the level of fee payable is appropriate for the provision of those services;

- (p) to review and monitor the external auditor's qualification, expertise, resources, independence and objectivity annually, taking into consideration relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- (q) to monitor 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;
- (r) to develop and implement policy on the provision of non-audit services by the external auditor, taking into account relevant ethical guidance; and to report to the board identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken (so as to ensure that the provision of such services does not impair the external auditor's independence and objectivity);
- (s) to consider the auditors work plan for the annual and any interim audit and proposed resources in light of the scope of the audit;
- (t) to review with the external auditors, the results of their work in conducting the annual and any interim audit, including:
  - (i) any major issues that arose during the course of the audit;
  - (ii) key accounting and audit judgements;
  - (iii) levels of errors identified during the audit, obtaining explanations from management, and where necessary the external auditors, as to why certain errors might remain unadjusted; and
  - (iv) any reservations that the external auditors may have and other matters that they wish to raise;
- (u) to review the audit representation letters before signature by management, giving particular consideration to matters where representation has been requested that relates to non-standard issues;
- (v) to review the external auditors' management letter and management's response;
- (w) at the end of the annual audit cycle, to assess the effectiveness of the audit process;
- (x) to consider the major findings of internal investigations and management's response;
- (y) to review the statement by the directors to be included in the annual accounts on the going concern status of the Company and the group and any supporting assumptions and qualifications;

- (z) to make available these terms of reference, explaining the role and the authority delegated to it by the board, on request and by including the information on the company's website;
- (aa) to assist the board by preparing a statement for inclusion in the directors' report (to shareholders as contained in the annual report) describing the role and responsibilities of the audit committee and actions taken by the committee to discharge those responsibilities; and
- (bb) to review its own performance, constitution and terms of reference, at least once a year, to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.