









REDDE PLC AUDIT COMMITTEE TERMS OF REFERENCE APPROVED BY THE BOARD ON  
26<sup>TH</sup> JULY 2017 (Reviewed by the Committee on 25<sup>TH</sup> June 2019)

decide whether any action is required;

- (d) oversee the relationship with the external auditor. In this context the committee shall:
  - (i) approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and
  - (ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (e) assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- (f) satisfy itself that there are no relationships between the auditor and the company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (g) agree with the Board a policy on the employment of former employees of the company's auditor, taking into account the FRC's Ethical Standard ("Ethical Standard") and legal requirements, and monitor the application of this policy;
- (h) monitor the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- (i) monitor the level of fees paid by the company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (j) assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (k) seek to ensure co-ordination of the external audit with the activities of the internal audit function;
- (l) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee;
- (m) develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the committee and specifying the types of non-audit

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service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:

- (i) threats to the independence and objectivity of the external auditor and any safeguards in place;
  - (ii) the nature of the non-audit services;
  - (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
  - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
  - (v) the criteria governing compensation
- (n) meet regularly with the external auditor and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (o) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (p) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (i) a discussion of any major issues which arose during the audit;
  - (ii) the auditor's explanation of how the risks to audit quality were addressed;
  - (iii) key accounting and audit judgments;
  - (iv) the auditor's view of their interactions with senior management; and
  - (v) levels of errors identified during the audit;
- (q) review any representation letter(s) requested by the external auditor before they are signed by management;
- (r) review the management letter and management's response to the auditor's findings and recommendations; and
- (s) review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgments by the auditor, and the auditor's response to questions from the committee.

**Reporting responsibilities**

25. The committee chairman should when appropriate report formally to the Board on its proceedings after each meeting on all matters within its duties and

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responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- (a) the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process (required under paragraph 8.6.10), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - (c) any other issues on which the board has requested the committee's opinion.
26. The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
27. The committee shall compile a report on its activities to be included in the company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other applicable information requirements.
28. In compiling the reports referred to in 9.1 and 9.3, the committee should exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the board's assessment of whether the company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

**Other matters**

29. The committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
  - (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
  - (c) give due consideration to relevant laws and regulations, the provisions of the Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
  - (d) be responsible for co-ordination of the internal and external auditors;
  - (e) oversee any investigation of activities which are within its terms of reference;

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- (f) work and liaise as necessary with all other board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- (g) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board;

**Authority**

30. The committee is authorised to:

- (a) seek any information it requires from any employee of the company in order to perform its duties;
- (b) obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (c) call any employee to be questioned at a meeting of the committee as and when required; and
- (d) 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.