

## **Jardine Lloyd Thompson Group plc**

### **BOARD PROCEDURES & DELEGATED AUTHORITIES**

**(Updated July 2009)**

#### **15. Audit Committee**

##### **15.1 Membership**

- 1.1 Members of the Committee shall be appointed by the Board in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least three members.

The Membership at July 2009 comprises N R MacAndrew (Chairman), S L Keswick and J G H Paynter.

- 1.2 All members of the Committee shall be non-executive directors, with a majority being independent. At least one shall have recent and relevant financial experience.

- 1.3 Only members of the Committee have the right to attend Committee meetings.

The Finance Director, Group Legal Director and the Head of Internal Audit shall normally attend meetings of the Committee and a representative of the external auditors will attend at least twice a year as required. The Chairman, Chief Executive, other Non-Executive or Executive Directors, and representatives from the Finance function, may be invited to attend all or part of any meeting as and when appropriate. However, at least once a year the Committee may meet with the external auditors and Head of Internal Audit without executive Board members present.

- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for subsequent three year periods, provided, where appropriate, the director remains independent.

- 1.5 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

##### **15.2 Secretary**

The Company Secretary or his nominee shall act as the Secretary of the Committee.

##### **15.3 Quorum**

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

##### **15.4 Frequency of Meetings**

- 4.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

##### **4.2 Meeting Schedule**

The principal meetings of the Committee and main agenda items are as follows:

- |                             |   |
|-----------------------------|---|
| January/February - year end | <ul style="list-style-type: none"> <li>- Review of preliminary statement/Report and Accounts</li> <li>- Review of PricewaterhouseCoopers report (PWC also in attendance)</li> <li>- Annual Review of External Auditors</li> <li>- Report of Finance Director</li> <li>- Review of Risk Management and Internal Controls</li> <li>- Review internal audit reports/programme</li> <li>- Review operational audit reports (broking procedures)</li> <li>- Compliance report</li> </ul> |
| May/June - Audit follow-up  | <ul style="list-style-type: none"> <li>- Review of PWC Audit Internal Control Reports &amp; Management response (PwC also in attendance)</li> <li>- Review internal audit reports</li> <li>- Review operational audit reports</li> </ul>  |
| July - Interim              | <ul style="list-style-type: none"> <li>- Review of interim statement</li> <li>- Report of Finance Director</li> <li>- Follow up re auditors' internal control reports</li> <li>- Review of PricewaterhouseCoopers report (PWC also in attendance)</li> <li>- Review internal audit reports</li> <li>- Review operational audit reports</li> </ul>   |
| October/November            | <ul style="list-style-type: none"> <li>- Compliance report</li> <li>- Audit strategy for ensuing year</li> <li>- Review internal audit reports</li> <li>- Review operational audit reports</li> </ul>   |

### 15.5 Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2 Unless otherwise agreed by a quorum of Members, 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, and any other person required to attend, no later than five days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time, unless there are exceptional circumstances.

### 15.6 Minutes of Meetings

- 6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

## 15.7 Annual General Meeting

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

## 15.8 Duties

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### 8.1 Financial Reporting

8.1.1 The Committee shall monitor the integrity of the financial statements of the company, including its annual and half yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. Any other financial information contained in certain other documents, such as announcements of a price sensitive nature may be reviewed by the Executive team on the understanding that they will always consult with the Company's broker and/or other financial advisor before the documents are published.

8.1.2 The Committee shall review the interim management statements, half-year and annual announcements and financial statements before submission to the Board, focusing particularly on:

8.1.2.1 the appropriateness of accounting policies selected and the consistency with which they are applied and any changes in accounting policies and practices;

8.1.2.2 the appropriateness of judgements and estimates made in the course of preparation of the accounts;

8.1.2.3 summary of significant litigation involving the Company and its subsidiaries;

8.1.2.4 the going concern assumption;

8.1.2.5 conformity with accounting standards;

8.1.2.6 compliance with UK Listing Authority/London Stock Exchange and legal requirements; and

8.1.2.7 Compliance with the Combined Code.

8.1.3 The Committee shall discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

### 8.2 Internal Controls and Risk Management

The Committee shall:

8.2.1 through reports from management, external and internal audit and group risk, consider the effectiveness of the Group's system of internal control, such review to cover all controls, including financial, operational and compliance controls and risk management and report to the Board thereon; and

8.2.2 review and note the statements to be included in the Annual Report concerning internal controls and risk management (which will be approved by the Board as a whole).

### 8.3 **Whistleblowing**

The Committee shall monitor adherence to the guidelines on personal and corporate conduct within the Group and consider regularly the effectiveness of the Group's "Whistleblowing" procedures and the results of any matters arising.

### 8.4 **Internal Audit**

The Committee shall:

- 8.4.1 monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;
- 8.4.2 approve the appointment and removal of the head of the internal audit function;
- 8.4.3 consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 8.4.4 review and assess the annual internal audit plan;
- 8.4.5 review promptly all reports on the company from the internal auditors;
- 8.4.6 ensure co-ordination between internal and external auditors;
- 8.4.7 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 8.4.8 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition the head of internal audit shall be given the right of direct access to the Chairman of the board and to the Committee.

### 8.5 **External Audit**

The Committee shall:

- 8.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. 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;
- 8.5.2 oversee the relationship with the external auditor including (but not limited to):
  - 8.5.2.1 approval of their remuneration for both audit and non audit services, including satisfying itself that the level of audit fee is appropriate to enable an adequate audit to be conducted;
  - 8.5.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.5.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
  - 8.5.2.4 monitoring relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business) and satisfying itself that no such relationships are inappropriate;

- 8.5.2.5 agreeing with the Board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy and its consistency with relevant regulations;
  - 8.5.2.6 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
  - 8.5.2.7 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- 8.5.3 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - 8.5.4 review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
    - 8.5.4.1 a discussion of any major issues which arose during the audit,
    - 8.5.4.2 any accounting and audit judgements, and
    - 8.5.4.3 levels of errors identified during the audit.
  - 8.5.5 review any representation letter(s) requested by the external auditor before they are signed by management;
  - 8.5.6 review the management letter and management's response to the auditor's findings and recommendations; and
  - 8.5.7 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.

## 8.6 **Regulatory Compliance**

The Committee shall review compliance by the Company and its subsidiaries with the requirements of any body by which the Company or its subsidiaries is regulated.

The Board has primary oversight responsibility for all Group regulatory compliance (including FSA), including resourcing and the management of any material issues emerging. The legal responsibility for regulatory compliance rests with the Boards of the regulated entities.

Regular reports from the Compliance function are circulated to the Committee and to the Board. The Committee reviews these reports and advises the Board of its findings and conclusions.

## 8.7 **Reporting Responsibilities**

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

## 8.8 Other Matters

The Committee shall:

- 8.8.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.8.2 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;
- 8.8.3 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;
- 8.8.4 be responsible for co-ordination between the external auditors and those responsible for supervising and/or conducting internal audits;
- 8.8.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 8.8.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

## 15.9 Authority

The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee including attendance at a meeting of the Committee as and when required.

The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.