



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

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

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

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

*References to “the Head of Internal Audit” shall include the lead partner of any audit firm to which the internal audit function is outsourced.*

*References to “the Code” shall mean the 2018 UK Corporate Governance Code.*

*References to “the Regulator” shall mean the Financial Reporting Council or equivalent.*

**A. Role**

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- a. the integrity of the financial and narrative statements and other financial information provided to shareholders.
- b. The Group’s system of internal controls and risk management.
- c. the internal and external audit process and auditors.
- d. the processes for compliance with laws, regulations and ethical codes of practice.

**B. Membership**

1. The Committee shall comprise of at least three members, each of whom are independent Non-executive Directors. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee in consultation with the Chair of the Committee.
2. At least one of the members shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accounting bodies. At least one of the members shall have competence in accounting and/or auditing. The Committee, as a whole, must have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
3. Board members, other management or staff and external advisors will be invited to attend as necessary.
4. Appointments to the Committee shall be for a period of up to three years, which may be extended in the first instance by one further 3-year period and then annually up to an expected maximum of 3 years, provided the Director still meets the criteria for membership of the Committee.

5. The Board shall appoint the Committee Chair who shall be an independent Non-executive Director.
6. The Group Head of Secretariat shall be the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

### **C. Meetings**

1. The Committee shall meet at least three times a year and at such other times as the Chair of the Committee shall require.
2. A meeting of the Committee may be called by the Secretary at the request of any of its members, the audit lead partner of the external auditors or the Group Head of Risk and Internal Audit if they consider it necessary.
3. Notice of each meeting of the Committee, confirming the venue, time and date together with an agenda of items to be discussed and 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, no fewer than three working days prior to the date of the meeting.
4. The quorum for Committee meetings 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.
5. In the absence of the Committee Chair 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 the Group Head of Risk and Internal Audit 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 external audit.
7. The Secretary shall keep records of all meetings of the Committee with appropriate minutes of the proceedings and decisions.
8. Draft minutes of the meetings shall be circulated to all members of the Committee and, once agreed, to all members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chair. Minutes will also be circulated to the external and internal auditors as appropriate in respect of any meeting, or part of a meeting, which they have attended.

### **D. Annual General Meeting (“AGM”)**

The Chair of the Committee shall attend the AGM prepared to respond to shareholders' questions on the Committee's activities and areas of responsibility.

## **E. Duties**

The Committee shall carry out the duties below for the Company and all of its subsidiaries and the Group as a whole, as appropriate. In carrying out these duties, the members of the Committee must comply with their duty under section 172 of the Companies Act 2006 to act in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, whilst having regard to the interests of employees, stakeholders and other matters as required by section 172.

### **E.1 External Audit**

The Committee shall:

1. consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, as regards the appointment, re-appointment and removal of the external auditors;
2. ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent external auditors with those of other audit firms; and in respect of such tender, conduct, develop and oversee the 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 tender process;
3. if the external auditors resign, investigate the issues leading to this and decide on whether any action is required;
4. oversee the relationship with external auditors; this includes (but is not limited to):
  - a. making recommendations on their remuneration, including both fees for audit and non-audit services, satisfying itself that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - b. approval of their terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
  - c. annual assessment of their independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the external auditors, including the provision of any non-audit services;
  - d. ensuring that the external auditor only provides non-audit services to the extent outlined by the Company's non-audit fee policy;
  - e. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company (other than in the ordinary course of business) which could adversely affect the external auditors' independence and objectivity;
  - f. agreeing with the Board a policy on the employment of former employees of the Company's external auditors, taking into account the Ethical Standard and legal requirements and monitoring the implementation of this policy;
  - g. monitoring the external auditors' compliance with relevant ethical and professional guidance on the rotation of audit partners (at least every 5 years), the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

- h. assessing annually their qualifications, expertise and resources and the effectiveness of the external audit process, which shall include a report from the external auditors on their own internal quality procedures;
        - i. seeking to ensure co-ordination with the activities of the internal audit function and;
        - j. the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Group's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability (including the assessment of the prospects of the Group's looking forward over an appropriate and justified period.
- 5. review and approve the annual statutory audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 6. review the findings of the audit with the external auditors. This shall include, but not be limited to, the following:
  - a. a discussion of any major issues which arose during the audit;
  - b. key accounting and audit judgements;
  - c. levels of error identified during the audit; and
  - d. the effectiveness of the audit process.
- 7. meet regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage), without management being present, to discuss the external auditors' remit and findings of the audit including (but not limited to) any major resolved or unresolved issues that arose during the audit, the auditor's explanation of how risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of their interactions with senior management and levels of errors identified during the audit.
- 8. The Committee shall also:
  - a. review on behalf of the Board any Group representation letter(s) requested by the external auditors before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;
  - b. review the Group management letter and management's response to the auditors' findings and recommendations before its consideration by the Board;
  - c. develop and implement a policy on the supply of non-audit services by the external auditor, to avoid any threat to auditor objectivity and independence taking into account any relevant ethical guidance on the matter; and
  - d. pre-approve any permitted non-audit services in accordance with the Company non-audit fee policy.

## **E.2 Risk Management and Internal Control**

The Committee shall:

1. approve the appointment or termination of the Group Head of Risk and Internal Audit;
2. ensure the Group Head of Risk and Internal Audit has direct access to the Board Chair and the Committee Chair and is accountable to the Committee;
3. review and monitor the Group's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems and, at least annually, carry out a review of their effectiveness;
4. ensure that a robust assessment of the emerging and principal risks facing the Group has been undertaken (including those risks that would threaten the Group's business model, future performance, solvency or liquidity and reputation), that procedures are in place to identify emerging risks and provide advice on the management and mitigation of those risks; and
5. review and approve the statements to be included in the Annual Report concerning, among other, internal controls, risk management and viability.

## **E.3 Compliance, Whistleblowing and Fraud**

The Committee shall:

1. on behalf of the Board, review the Company's arrangements to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
2. annually review the Company's procedures for detecting fraud; and
3. review the Company's systems and controls for the prevention of bribery and modern slavery receive reports on non-compliance.

## **E.4 Internal Audit**

The Committee shall:

1. consider annually whether there should be an internal audit function, and explain the reasons for the absence of such a function, how internal assurance is achieved and how this affects the external audit work to the Board for disclosure in the Annual Report. The Committee shall assess whether the processes applied by management to ensure that the internal controls systems are functioning as intended;
2. where there is an internal audit function:
  - a. approve the appointment or termination of the head of internal audit;

- b. ensure the head of internal audit has direct access to the Board Chair and the Committee Chair and is accountable to the Committee;
- c. review and assess the internal audit work plan;
- d. receive a report on the results of the internal auditor's work on a periodic basis;
- e. review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- f. meet with the head of internal audit at least once a year without the presence of management;
- g. monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor, ensuring that the internal audit plan is aligned to the business key risks; and
- h. review and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.

## **E.5 Financial Reporting**

1. The Committee shall monitor the integrity of the financial and narrative statements of the Company, including its full-year and half-year reports, preliminary results announcements and any other formal announcements relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the external auditors.
2. The Committee shall review and challenge where necessary:
  - a. the application and appropriateness of, and changes to, significant accounting policies both on a year on 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 auditors;
  - d. the clarity and completeness of external financial reporting and any changes made to disclosures included therein;
  - e. all material information presented with the financial statements, such as the business review, the going concern assumption and the corporate governance statements relating to the audit and to risk management;
  - f. significant adjustments resulting from the external audit; and
  - g. the assumptions or qualifications in support of the going concern statement and the longer term viability statement.
3. When the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

## **E.6 Narrative Reporting**

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

## **F. Reporting Responsibilities**

1. The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and 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 and how these were addressed;
  - b. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditors; and
  - c. any other issues on which the Board has requested the Committee's opinion.
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. The report should include:
  - a. details of the membership of the Committee, number of meetings held and attendance over the course of the year;
  - b. a summary of the role and work of the Committee;
  - c. how the Committee's performance evaluation has been conducted;
  - d. 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 external auditor, the nature and extend of any interaction with the Regulator;
  - e. confirmation that the Board has carried out a robust assessment of the principal and emerging risks facing the Group, a description of its principal risks, the procedures in place to identify emerging risks and an explanation as to how they are being managed and mitigated;
  - f. an explanation of its assessment of the independence and effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit service to the Group, auditor objectivity and independence is safeguarded) and its approach taken to the appointment or reappointment of the external auditor, length of incumbent auditor's tenure, when a tender was last conducted, advance notice of any retendering plans (and reasons why completing the process in that proposed financial year is in the best interests of the Group's members) and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;
  - g. the Committee's policy for approval of non-audit services, how auditor objectivity and independence is safeguarded, the audit fees for the statutory audit related

services and other non-audit services, including the ratio of audit to non-audit work, and for each significant engagement, or category or engagement, what the services are and why the Committee concluded that it was in the Group's interests to purchase them from the external auditor;

- h. an explanation of how the Committee has addressed the effectiveness of the internal audit process and if there is no internal audit function, an explanation for the absence, how internal assurance is achieved and how this affects the work of external audit;
  - i. all other information requirements set out in the Code; and
  - j. any other issues on which the Board has requested the Committee's opinion.
4. In compiling its reports to the Board and to the shareholders, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters which 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.

## **G. Other Matters**

The Committee shall:

1. have access to sufficient resources in order to carry out its duties, including access to the Group Company Secretary and Legal Advisor for assistance as required;
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 and shall include an understanding of the principles of and developments in corporate reporting and regulation;
3. give due consideration to laws and regulations, in particular the Directors' duties in the Companies Act 2006, the provisions of the Code and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
4. oversee any investigation of activities which are within its terms of reference;
5. work and liaise as necessary with all other board committees, and
6. arrange for periodic reviews of its own performance and, at least once a year, 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 for approval.

## **H. Authority**

1. The Committee is a committee of the Board and has no authority independent of the functions delegated to it and is to report its findings and recommendations directly to the



Board. The functions of the Committee do not relieve the Board from any of its responsibilities.

2. There is to be no delegation of executive power to the Committee.
3. The Committee shall have the right to seek any necessary information to perform its duties;
4. The Committee shall have the power to call any member of staff to be questioned at a meeting of the Committee as and when required;
5. The Committee shall 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; and
6. The Committee shall 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.