

# **INDEPENDENT NEWS & MEDIA PLC**

## **TERMS OF REFERENCE FOR AUDIT COMMITTEE**

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The Board of Independent News & Media PLC adopted the following Terms of Reference for its Audit Committee.

### **1. Membership and meetings**

- 1.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee. The Committee shall be made up of at least 3 members.
- 1.2. All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, Finance Director, other directors and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 1.4. The external auditors will be invited to attend meetings of the Committee on a regular basis. There should be at least one meeting a year, or part thereof, where the external auditors attend without management present.
- 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.

### **2. Secretary**

- 2.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.

### **3. Quorum**

- 3.1. The quorum necessary for the transaction of business shall be 2 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.

### **4. Frequency of Meetings**

- 4.1. Committee meetings shall be held not less than three times a year, and at appropriate times in the reporting and audit cycle, and otherwise as required.
- 4.2. The external auditors may request a meeting if they consider that one is necessary.

### **5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be organised 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, 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 in a timely manner before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## 6. Minutes of Meetings

- 6.1. The committee should have access to the services of the company secretary on all audit committee matters including: assisting the Chairman in planning the audit committee's work, drawing up meeting agendas, maintenance of minutes, drafting material about its activities for the annual report, collection and distribution of information and provision of necessary practical support;
- 6.2. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.3. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.4. Minutes of Committee meetings shall be circulated promptly to all members of the Committee.

## 7. Annual General Meeting

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

## 8. Duties

The Committee should carry out the duties below for the parent company and the group as a whole.

### 8.1. Financial Reporting

- 8.1.1. The Committee shall monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. Similarly, where board approval is required for other statements containing financial information (for example, summary financial statements (if any), significant financial returns to regulators and release of price sensitive information), whenever practicable (without being inconsistent with any requirement for prompt reporting under the Listing rules) the audit committee should review such statements first.
- 8.1.2. The Committee shall review and challenge where necessary:
  - 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
  - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 8.1.2.3 whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 8.1.2.4 the clarity of disclosure in the company's financial reports and the context in which statements are made; and
  - 8.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

## 8.2. **Internal Controls and Risk Management Systems**

The Committee shall:

- 8.2.1. keep under review the effectiveness of the company's internal controls and risk management systems;
- 8.2.2. review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

## 8.3. **Whistleblowing**

The Committee shall review the company's arrangements by which staff may, in confidence, raise concerns, about possible improprieties in matters of financial reporting or other matters. The Committee's objective is to ensure that these arrangements are in place for proportionate and independent investigation of such matters and appropriate follow up action.

## 8.4. **Internal Audit**

The Committee shall monitor and review the internal audit activities. Where there is no internal audit function, the audit committee should consider annually whether there is a need for an internal audit function and make a recommendation to the board, and the reasons for the absence of such a function should be explained in the relevant section to the annual report.

## 8.5. **External Audit**

The Committee shall:

- 8.5.1. have primary responsibility for making 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.
- 8.5.2. oversee the relationship with the external auditor including (but not limited to):
  - 8.5.2.1. approval of their remuneration and that the level of fees 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. monitoring the performance and quality of the auditor's work and the auditor's independence from the company, 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. develop a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter. This should include obtaining from the auditor up to date information to enable the committee to monitor the company's relationship with the auditor, including, but not limited to, information relating to the auditor's affiliates and recommending whether or not to award contracts to the auditor or an affiliate of the auditor for non-audit work;
  - 8.5.2.5. the annual report should explain to shareholders how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded;
  - 8.5.2.6. 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. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. 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 audit;

- 8.5.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.5.5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 8.5.5.1. a discussion of any major issues which arose during the audit and their status,
  - 8.5.5.2. any accounting and audit judgements,
  - 8.5.5.3. levels of errors identified during the audit,
  - 8.5.5.4. significant representations requested from management during the audit, and
  - 8.5.5.5. material internal control matters arising from the audit.

## 8.6. **Reporting Responsibilities**

- 8.6.1. The committee shall report to the Board, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.
- 8.6.2. A separate section in the Annual Report should describe the work of the committee in discharging its responsibilities.

## 8.7. **Other Matters**

The Committee shall:

- 8.7.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 8.7.2. be provided with appropriate and timely training, both in the form of an induction programme for new members as necessary and on an ongoing basis for all members;
- 8.7.3. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the Listing Rules as appropriate;
- 8.7.4. at least once a year, review its terms of reference concerning the committee's role in the audit and financial management of the company and its own effectiveness and submit any amendments to the Board for approval.

## 9. **Authority**

The Committee is authorised:

- 9.1. to investigate any activity within its terms of reference;
- 9.2. to seek any information it requires from any employee of the company in order to perform its duties;
- 9.3. to obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference.