

**STHREE PLC ( OR 'THE COMPANY')**  
**TERMS OF REFERENCE**  
**OF THE AUDIT COMMITTEE ('AUDIT COM')**

**1. Purpose**

The Audit Committee is established as a Committee of SThree plc pursuant to Article 96 of the SThree plc Articles of Association. Its purpose is to assist the Board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. The Audit Committee has no executive powers with regard to its recommendations and does not relieve the Directors of their responsibilities for these matters.

All subject to the limitations of authority as detailed within the 'Schedule of Matters Reserved for the SThree plc Board/Committees and subsidiary company control framework' and Group Authorities Matrix, as amended from time to time.

**2. Membership**

- a) The Audit Committee will consist of a minimum of two members all of whom shall be independent Non-Executive Directors. The Chairman of the Board shall not be a member of the Audit Committee. At least one member of the Audit Committee shall have recent and relevant financial experience. The Audit Committee Chairman, members, and the term of appointment of each member shall be determined by the Board.
- b) Members of the Audit Committee will normally serve for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent Non Executive Directors.

**3. Meetings**

- a) The Audit Committee shall meet at the call of its Chairman, or at the request of the head of internal audit or the external auditor, but not less than three times a year (such meetings to be held to coincide with key dates within the financial reporting and audit cycle).
- b) The Chief Executive Officer and Chief Financial Officer will be required, on request, to attend meetings of the Audit Committee.
- c) The Audit Committee will, at least annually, meet the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audits.

**4. Resources**

The Company Secretary will assist the Audit Committee on all Audit Committee matters including assisting the Audit Committee Chairman in planning the Audit Committee's work, drawing up meeting agendas, maintaining minutes, drafting

material about the Audit Committee's activities for the annual report, collecting and distributing information and providing any necessary practical support.

## **5. Authority**

- a) In carrying out its duties the Audit Committee shall have the authority to discuss directly with management, internal auditors or the external auditors (and in the presence of the Executive Directors or otherwise) any issue within its remit and to request reports, explanations and information on any of the activities, procedures or accounts in the SThree Group.
- b) The Board authorises the Audit Committee to investigate any activity within its terms of reference and seek any information it requires from any employee, (all employees being directed to co-operate with any such request by the Committee) and to obtain outside legal or other independent professional advice at the cost of the Company.
- c) The Audit Committee shall have available appropriate funding from the Company as determined by the Audit Committee for payment of:
  - (i) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company;
  - (ii) compensation to any advisers employed by the Audit Committee; and
  - (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

## **6. General Duties**

- a) In carrying out its duties under these terms of reference, the Audit Committee will have regard to the Combined Code on Corporate Governance, set out in the Listing Rules of the UKLA (the "Combined Code").
- b) The Audit Committee will:
  - (i) monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them; and

- (ii) 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.
- c) The Audit Committee has specific responsibilities for external audit; internal audit; internal control and risk management; and internal and external reporting, to comprise as follows:
  - i) External Audit:
    - to oversee the Company's relations with the external auditor;
    - 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 auditor and to review and approve the remuneration and terms of engagement of the external auditor in respect of audit and non-audit services provided and make appropriate recommendations;
    - be directly responsible for recommending to the Board the appointment of, and be directly responsible for the compensation, retention and oversight of the work of, any external auditor engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company (subject to approval of the shareholders as may be required by law). Each such external auditor shall report directly to the Audit Committee;
    - review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
    - To discuss with the external auditor, before the audit commences, the nature and scope of the audit;
    - to review with the external auditors the findings of their work;
    - to review the audit representation letters before consideration by the Board;
    - to assess at the end of the audit cycle, the effectiveness of the auditors and the audit process;
    - to review and monitor the content of the external auditor's management letter and management's response to the findings of the audit and any significant recommendations made by the external auditors; and
    - develop, recommend and implement policy on the engagement of the external auditor in relation to the provision of non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm and

ensure that the provision of such services does not impair the external auditors independence or objectivity.

ii) Internal Audit:

- consider annually whether there should be an internal audit function and make recommendations to the Board accordingly;
- to review and approve the internal audit function's terms of reference and programme, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- to review the results of internal audit work and to consider management's response to any significant internal audit recommendations;
- if an internal audit function exists, to monitor and review the effectiveness of this function and to approve the appointment or termination of appointment of the head of internal audit; and
- The Chairman of the Audit Committee shall meet privately with the Head of Internal Audit not less than twice a year. In the interests of independence and objectivity, while the Head of Internal Audit reports on a day-to-day basis to the Group Finance Director, he is responsible to the Chairman of the Audit Committee to fulfil those parts of the Audit Committee's Terms of Reference which relate to Internal Audit, and has free access to the Chairman of the Audit Committee and to the Chairman of the Board at all times.

iii) Internal Control and Risk Management:

- to review management's and the internal auditor's reports on the effectiveness of the systems: for internal financial control; for financial reporting; for identifying, assessing and managing all aspects of risk;
- to monitor the integrity of the Company's internal financial controls;
- review the Company's internal financial controls, internal control and risk management systems;
- to assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks. The Board retains overall responsibility for the review of the effectiveness of the system of internal control and risk management;
- to review the Company's procedures for detecting fraud and for handling allegations from persons reporting workplace malpractice; and
- to advise the Board of the Committee's conclusions with regard to the matters above.

iv) Internal and External Reporting:

- to monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them;

- to review management's and the internal auditor's reports on the effectiveness of systems for internal financial control, financial reporting and risk management;
- to review, and challenge where necessary, the actions and judgements of management, in relation to the interim and annual financial statements, operating and financial review, preliminary announcements and related formal statements before submission to the Board, paying particular attention to: Critical accounting policies and practices, and any changes in them; Decisions requiring a major element of judgement; The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed; The clarity of disclosures; Significant adjustments resulting from the audit; The going concern assumption; Compliance with accounting standards; Compliance with stock exchange and other legal requirements; the Company's statement on internal control and risk management prior to endorsement by the Board; and
- review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.

d) The Audit Committee shall review annually its terms of reference and its own effectiveness and recommend any necessary changes, to the Board.

## **7. QUORUM**

Two Non-Executive Directors shall constitute a quorum.