



RECORD PLC

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

1 Composition and Procedure

1.1 The Audit & Risk Committee shall consist of a minimum of two members, comprising a Chairman and at least one other independent member. The Audit & Risk Committee shall be appointed by the Board following the recommendations made by the Nomination Committee.

1.2 Membership of the Audit & Risk Committee shall be confined to independent directors. At least one member of the Committee shall have recent and relevant financial experience. The Audit & Risk Committee may invite other directors, Group employees and external professional advisers to attend meetings as and when deemed appropriate.

The Audit & Risk Committee shall normally invite a representative of the Company's auditors, a representative from the outsourced Internal Audit function, the Chief Financial Officer and the Head of Compliance & Risk to attend all meetings. The Audit & Risk Committee shall have at least one meeting a year without any Company employees being present.

Care should be taken by the Audit & Risk Committee to minimise the risk of any conflict of interest that might be seen to give rise to an unacceptable influence. The Chairman and members of the Audit & Risk Committee should be rotated on a regular basis.

1.3 The Board shall appoint the Audit & Risk Committee Chairman. The Chairman of the Board shall not be eligible to be appointed as the Audit & Risk Committee Chairman.

1.4 Appointments to the Audit & Risk Committee shall be for a period of three years, which may be extended for two further three year periods, provided the director concerned remains independent.

1.5 The Company Secretary or her nominee shall act as the Secretary of the Audit & Risk Committee.

1.6 The quorum for decisions of the Audit & Risk Committee shall be two members. A duly convened meeting of the Audit & Risk 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 Audit & Risk Committee.

1.7 The Audit & Risk Committee shall meet not less than three times a year and at such other times as the Audit & Risk Committee Chairman shall require.

Meetings shall be arranged to tie in with the publication of the Company's financial statements.

1.8 Meetings of the Audit & Risk Committee may be held by telephone.

1.9 Any member of the Audit & Risk Committee may request that a meeting be convened by the Secretary of the Audit & Risk Committee. The Company's auditors and/or the Company's outsourced Internal Audit function may request that a meeting be convened if they deem it necessary.

- 1.10 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and any supporting papers, shall be forwarded to each member of the Audit & Risk Committee, any other person requested to attend and all other non-executive Directors, no fewer than five business days prior to the date of the meeting.
- 1.11 The Secretary shall minute the proceedings and resolutions of all meetings of the Audit & Risk Committee. The Secretary shall establish, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 1.12 Minutes of Audit & Risk Committee meetings shall be circulated promptly to all members of the Board.

2 Duties

2.1 Internal Control and Risk Management

The Audit & Risk Committee shall:

- a) keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks;
- b) oversee the development of proposals for consideration by the Board in respect of overall risk appetite and tolerance, as well as the metrics to be used to monitor the firm's risk management performance;
- c) provide advice to the Board on risk strategy, including the oversight of current risk exposures of the firm, with particular, but not exclusive, emphasis on prudential risks;
- d) oversight and challenge of the design and execution of stress and scenario testing, the day-to-day risk management and oversight arrangements of the executive, and due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board;
- e) to the extent that it is appropriate, provide advice to the firm's remuneration committee on risk weightings to be applied to the allocation of profit share units incorporated in the incentive structure for the executive;
- f) provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture throughout the firm;
- g) review the Company's annual statement on its systems of internal control prior to endorsement by the Board, and in particular review:
 - i. the procedures for identifying business, operational, financial, compliance and other risks and controlling their impact on the Company having regard (in particular) to any significant failings or weaknesses in internal control that have been reported;
 - ii. the actions taken to remedy any significant failings or weaknesses, including their timeliness;
 - iii. the Company's policies for preventing or detecting fraud and ensuring compliance with the Bribery Act 2010;
 - iv. the Company's policies for ensuring that the Company complies with the relevant regulatory and legal requirements; and
 - v. the operational effectiveness of these policies and procedures.

- h) review the Company's procedures for detecting fraud and investigating and handling allegations from whistle and ensure that arrangements are in place by which Group employees may in confidence raise concerns about possible improprieties in financial reporting, financial controls and any other matters.

2.2 External Audit

The Audit & Risk Committee shall:

- a) consider and make recommendations to the Board in relation to the appointment and re-appointment of the Company's auditors, and shall ensure that key partners within the audit firm are rotated from time to time. The Committee shall oversee the selection process and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- b) meet with the auditors at least twice each year, including once at the planning stage prior to the audit to discuss its nature and scope and proposed fees, and once post audit at the reporting stage;
- c) review the auditors' findings, including any major issues which arose during the course of the audit; key accounting and audit judgements; and levels of error identified during the audit, obtaining explanations from management and (where necessary) the auditors as to why certain errors might remain unadjusted. All errors and non-adjusting items are to be made available to the Committee;
- d) review the audit representation letter before approval by the Board, giving particular consideration to matters that relate to non-standard issues. The Committee shall also review the auditor's management letter in order to assess whether it is based on a good understanding of the Company's business and approve management's response to it. The Committee shall monitor whether recommendations have been acted upon;
- e) assess the effectiveness of the audit process at the end of each audit, including a review of whether the auditors met the agreed audit plan and why any changes came about, the auditors' robustness and perceptiveness in handling key account and audit judgements and in their communications with the Committee and feedback on the conduct of the audit from management;
- f) oversee the relationship with the auditors including (but not limited to):
 - i. assessing annually their expertise, resources, independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the auditors as a whole, including the provision of non-audit services;
 - ii. considering the auditors' own internal quality control procedures;
 - iii. satisfying itself that there are no relationships (such as family, financial, employment, investment or business) between the auditors and the Company, other than in the normal course of business;
 - iv. approving the auditors' terms of engagement for each audit;
 - v. approving audit fees (ensuring that the level of fees is appropriate to enable the auditors to conduct an effective audit) as well as any other fees which are payable in respect of non-audit activities;
 - vi. developing and implementing policy on the auditors' provision of non-audit services. The Audit & Risk Committee shall ensure that the provision of such services does not impair the auditors' independence or objectivity;

- vii. agreeing with the Board a policy on the employment of former employees of the auditors, and monitoring the policy's application;
- viii. monitoring the auditors' compliance with professional guidance on audit partner rotation, the level of fees the Company pays in proportion to the overall fee income of the firm, office and partner, and other related regulatory requirements; and
- ix. discussions with the auditors concerning such issues as compliance with accounting standards.

2.3 Internal Audit

The Audit & Risk Committee shall:

- a) appoint and re-appoint the Company's internal auditors. The Committee shall oversee the selection process and if an internal auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- b) review the internal audit programme and ensure that the service is adequately resourced both in terms of numbers and in terms of technical qualifications.
- c) consider management's response to any internal audit recommendations and the Committee shall monitor whether recommendations have been acted upon.
- d) assess the effectiveness of the internal audit process at the end of each year, including a review of whether the internal auditors met the agreed internal audit plan and why any changes came about, the internal auditors' robustness and perceptiveness in handling key account and audit judgements and in their communications with the Committee and feedback on the conduct of the internal audit from management. This review may lead to a change of Internal Auditor.

2.4 Financial Reporting

The Audit & Risk Committee shall:

- a) monitor the integrity of the Company's financial statements, including its annual and interim reports, preliminary announcements and related formal statements, reviewing the significant financial reporting issues and judgements which they contain. Where practicable, the Committee shall review summary financial statements, significant returns to regulators and announcements containing price sensitive financial information;
- b) The Audit & Risk Committee shall review and challenge where necessary:
 - i. the consistency of accounting policies both on a year on year basis and across the Group and any changes to them;
 - ii. the extent to which the financial statements are affected by significant or unusual transactions and how they are disclosed;
 - iii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the auditors' views;
 - iv. decisions requiring a major element of judgement;
 - v. significant adjustments arising from the audit;
 - vi. the "going concern" assumption; and 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).

3 Annual General Meeting

- 3.1 The Audit & Risk Committee Chairman shall attend each annual general meeting of the Company prepared to respond to any shareholder questions on the Audit & Risk Committee's activities.

4 Reporting Responsibilities

- 4.1 The Committee Chairman shall report formally to the Board on its proceedings after each Audit & Risk Committee meeting.
- 4.2 In the light of its other duties, the Audit & Risk Committee shall make whatever recommendations to the Board it deems appropriate.
- 4.3 The Audit & Risk Committee shall compile a report to shareholders to be included in the Company's annual report and accounts, which shall include details of the policy and procedure for the approval of non-audit services.

5 Authority

- 5.1 The Audit & Risk Committee is authorised by the Board:
- a) to seek any information it requires from any employee, consultant and other provider of services to the Company (for example, solicitors, tax advisers, management consultants) in order to perform its duties;
 - b) to obtain, at the Company's expense, independent legal or other professional advice on any matter within its terms of reference.

5 Other Matters

- 6.1 The Audit & Risk Committee shall oversee any investigation of activities which are within its terms of reference and act as a court of the last resort.
- 6.2 The Audit & Risk Committee shall, on an annual basis, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness, and make any appropriate recommendations to the Board.
- 6.3 The Audit & Risk Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on-going training for existing members.
- 6.4 The Audit & Risk Committee shall give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules as appropriate.
- 6.5 The Audit & Risk Committee shall monitor and keep under review the effectiveness of the Company's regulatory compliance and reporting procedures and coordinate with the auditors on their reporting obligations to regulators in relation to the Company's financial statements. In carrying out their risk governance responsibilities, the Audit & Risk Committee should have regard to any relevant advice from its internal audit function concerning the effectiveness of its current control framework.