

ARTISAN (UK) PLC

Audit Committee of the Board

Terms of Reference

1. Audit Committee

The Audit Committee –

- (a) is a sub-committee of the Board and shall make recommendations to the Board, which retains the right of final decision;
- (b) is composed of independent non-executive directors, with a quorum of two;
- (c) has the primary responsibility of reviewing the financial statements and the accounting principles and practices underlying them, liaising with the external auditors and reviewing the effectiveness of internal controls;
- (d) will meet at least twice a year, but sufficiently frequently and for long enough to perform its duties effectively; and
- (e) will hold a formal meeting with the Company's auditors at least once a year.

2. Membership

- (a) The Audit Committee shall have a minimum of two members.
- (b) Membership shall be confined to non-executive directors who are independent of management and free from any involvement which might significantly interfere with their ability to judge matters independently.
- (c) The Company Secretary shall be the Committee Secretary and proper minutes of its meeting shall be kept.
- (d) The Group Financial Director should normally attend Committee meetings, without being a member of the Committee.
- (e) Other directors of the Company have the right to attend meetings of the Committee, without being members.

3. Chairman

The members of the Audit Committee will elect a Chairman from among themselves. The Chairman should normally have relevant accounting experience and, wherever possible, recent such experience. The Chairman will be responsible for –

- (a) preparing the agenda
- (b) the timely distribution of the agenda and any supporting papers
- (c) reporting to the Board on issues arising and decisions made, and
- (d) answering questions about the Audit Committee's work at the Annual General Meeting of the Company.

4. **Duties of the Committee**

The Audit Committee shall have the following duties –

External reporting

- (a) Reviewing interim and financial statements before submission to the Board
- (b) Reviewing the directors' annual report in its entirety
- (c) Reviewing the Company's summary financial reports

External auditors

- (a) Appointment and any questions of resignation or dismissal
- (b) Reviewing the proposed audit fee
- (c) Prior to the audit, discussing the nature, scope and timing with the external auditors
- (d) Discussing any problems and reservations with the auditors
- (e) Discussing the meaning and significance of audited figures and any notes to them
- (f) Reviewing the external auditors' evaluation of the Company's internal controls, the management letter and the management's response
- (g) Reviewing any factors that might impair, or perceive to impair, the auditors' independence
- (h) Reviewing the directors' statement on internal controls
- (i) Arbitrating in disputes between the auditors and management

General

- (a) Reviewing internal control mechanisms and the desirability of an internal audit function
- (b) Reviewing objectives and plans to assure adequacy of resources
- (c) Discussing any problems in carrying out audits, major findings and adequacy of controls
- (d) Ascertaining actions to be taken on recommendations
- (e) Discussing the relationship between external auditors and internal controllers, and co-ordination of their work

Other matters

- (a) Enquiring into illegal, questionable or unethical activities
- (b) Enquiring into adherence of officers to the corporate code of conduct
- (c) Initiating special projects or investigations on any matter within the Committee's terms of reference
- (d) Reviewing the efforts of the Company to comply with environmental obligations
- (e) Ensuring that the Board, and especially the non-executive directors, receive timely relevant and reliable information, tailored to assist them with monitoring the business and making important decisions.