

# Audit Committee Charter

## JOHN WOOD GROUP PLC

Approved by the Board on 17 June 2020

### 1. Purpose and Powers

The Audit Committee (“the Committee”) is established by the Board to oversee various aspects of the Group’s financial controls, reporting and audit. The Committee shall have all the powers of the Board, except as may be prohibited by law, with respect to the matters addressed by this charter, including to investigate any activity and seek any information that it requires from management to fulfil the responsibilities of the Committee.

### 2. Membership

The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Chair of the Committee, and shall consist of not less than three members of the Board. At least one member of the Committee should have recent and relevant financial experience and each member shall serve at the discretion of the Board and for such term or terms as the Board shall determine. In addition, the committee as a whole should have competence relevant to the sector in which the company operates, and experience of corporate financial matters will normally be required.

The Chair of the Board shall not be a member of the Committee and each member of the Committee should be an independent non-executive director, independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Board shall also appoint a Chair of the Committee. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

The Company Secretary, or his nominee, shall be the secretary of the Committee.

The members of the Committee shall be listed each year on the Group website as well as in the Annual Report.

### 3. Responsibilities

The Committee shall:

#### Financial reporting

3.1 monitor the integrity of the company’s financial statements, strategic report, interim reports, preliminary announcements and related formal announcements relating to the company’s financial performance (excluding Circulars and Trading Updates) before submission to, and approval by, the Board, and before clearance by the external auditors. Particular attention should be paid to:

3.1.1 critical accounting policies and practices, and any changes in them;

3.1.2 decisions requiring a significant element of judgement and any associated disclosures required in the Annual Report;

3.1.3 the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;

3.1.4 the clarity and completeness of disclosures and whether the disclosures made are set properly in context;

3.1.5 matters arising from the external audit including significant audit adjustments and significant disagreements with management and how they were resolved;

3.1.6 the going concern assumptions and any material uncertainties to the company's ability to continue to adopt the going concern basis of accounting over a period of at least 12 months from the date of approval of the financial statements;

3.1.7 compliance with financial reporting standards and relevant financial and governance reporting requirements.

#### Internal control and risk management

3.2 The board has ultimate responsibility for an organisation's risk management and internal control systems, but the board may delegate to the audit committee some functions to assist the board in meeting this responsibility. In particular, it should:

3.3 review management's and the internal auditor's reports on the effectiveness of the systems for internal financial control, financial reporting and financial risk management;

3.4 monitor the integrity of the company's internal financial controls;

3.5 monitor the Group's IT security processes and controls and review the associated assurance around those controls.

3.6 review the corporate governance statement in the annual report relating to the audit, the company's internal controls and risk management and the viability statement;

3.7 consider the major findings of internal investigations in relation to financial control matters and management's response.

#### Whistle-blowing

3.8 Although the overall review of the company's procedures for whistle blowing is the responsibility of the SABE Committee, the Audit Committee should ensure that arrangements are in place by which staff and contractors may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control or any other matters;

3.9 consider serious incidents of fraud or other financial irregularities.

#### Internal audit

3.10 review the internal audit programme and ensure that the internal audit function is adequately resourced;

3.11 ensure that the internal audit plan is aligned to the key risks of the business. The audit committee should pay particular attention to the areas in which work of the risk, compliance, finance, internal audit and external audit functions may be aligned or overlapping and oversee these relationships to ensure they are coordinated and operating effectively to avoid duplication.

3.12 ensure that the internal auditor has direct access to the Chair of the Board, the Committee Chair and the Committee, and is accountable to the Committee;

3.13 ensure that the function has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.

3.14 receive a report on the results of the internal auditor's work on a periodic basis;

3.15 review and monitor management's responsiveness to the internal auditor's findings and recommendations;

3.16 monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system;

3.17 approve the appointment or termination of the head of internal audit.

## External audit – general

- 3.18 oversee the company's relations with the external auditor;
- 3.19 have principle responsibility for external audit tendering in line with the principles of the relevant applicable legislation. When considering the selection of possible new appointees as external auditors, it should oversee the selection process, and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 3.20 make recommendations to the Board, to be put to shareholders for approval at the AGM, on the appointment, reappointment and removal of the external auditor;
- 3.21 if the external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 3.22 review and approve the terms of engagement and make recommendations to the Board in respect of the remuneration to be paid to the external auditor in respect of audit services provided;
- 3.23 assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually. Steps to consider include:
  - 3.23.1 seeking reassurance that the auditors and their staff have no family, financial, employment, investment or business relationship with the company (other than in the normal course of business);
  - 3.23.2 seeking from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff;
  - 3.23.3 monitoring the external audit firm's compliance with APB Ethical Standards for Auditors relating to the rotation of audit partners, the level of fees that the company pays in proportion to the overall fee income of the firm, or relevant part of it, and other related regulatory requirements;
  - 3.23.4 developing and recommending to the Board the company's policy for the employment of former employees of the external auditor, taking account of APB Ethical Standards for Auditors; and subsequently monitoring the policy, all as set out in **Appendix II**;
- 3.24 on an annual basis, the Audit Committee shall request from the external auditors a formal written statement delineating all relationships between the external auditors and the company and shall actively liaise with the external auditors with respect to any disclosed relationships or non-audit services that may impact the objectivity and independence of the external auditors. These requirements to produce a statement and to disclose relationships and services should be included in the annual audit engagement letter;
- 3.25 discuss with the external auditor, before the audit commences, the nature and scope of the audit;
- 3.26 review with the external auditors, the findings of their work, including, any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgements; levels of errors identified during the audit, obtaining explanations from management and, where necessary the external auditors, as to why certain errors might remain unadjusted;
- 3.27 review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- 3.28 assess, at the end of the audit cycle, the effectiveness of the external audit process and the necessary disclosure in the Annual Report by:
  - 3.28.1 reviewing whether the auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditors to address those risks;

- 3.28.2 consideration of the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements identified and in responding to questions from the Committee, and in their commentary, where appropriate, on the systems of internal control;
- 3.28.3 obtaining feedback about the conduct of the audit from key people involved;
- 3.29 review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon.
- 3.30 To the extent that the Committee has any concerns that are not addressed by work of the external auditors, the audit committee should discuss what information and assurance it requires in order to properly carry out its roles to review, monitor and provide assurance or recommendations to the board and, where there are gaps, how these should be addressed. The audit committee should satisfy itself that these sources of assurance and information are sufficient and objective.

#### External audit – provision of non-audit services

- 3.31 develop and recommend to the Board the company's policy in relation to the provision of non-audit services by the auditor, and keep the policy under review.
- 3.32 ensure compliance with the company's policy in relation to the provision of non-audit services by the auditor, set out in **Appendix I**, and to ensure that the provision of such services does not impair the external auditor's independence or objectivity. In doing so, the Committee should;
  - 3.32.1 consider whether the skills and experience of the audit firm make it the most suitable supplier of the non-audit services;
  - 3.32.2 consider whether there are safeguards in place to eliminate or reduce to an acceptable level any threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the external auditor;
  - 3.32.3 consider the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the audit fee;
  - 3.32.4 consider the criteria which govern the compensation of the individuals performing the audit;
- 3.33 review the statement in the annual report that explains to shareholders how, if the external auditors provide non-audit services, the auditors' objectivity and independence is safeguarded.

#### Other

- 3.34 review and approve the arrangements for the co-ordination of the internal and external auditors;
- 3.35 annually review its own performance, constitution, and terms of reference to ensure it is operating at maximum effectiveness and recommend any necessary changes to the Board;
- 3.36 take account of the Guidance on Audit Committees issued by the Financial Reporting Council;
- 3.37 conduct an annual review of the schedule of outstanding parent company guarantees.
- 3.38 conduct an annual review of succession planning for the senior finance leadership.

#### **4. Authority to Retain Consultants and Meet with Group Personnel and Advisors**

The Committee shall have the authority to retain legal, accounting or other independent professional advice or other consultants to advise the Committee at the Company's expense. The Committee may request any officer or employee of the Group or the Group's outside counsel to attend a meeting of the Committee or to meet with or provide information to any members of, or consultants to, the Committee. The Committee shall have access to sufficient resources in order to carry out its responsibilities, including access to the company secretariat and Group Finance and Internal Audit functions for assistance as required.

## **5. Meetings**

There should be as many meetings as the Committee's role and responsibilities require, however, meetings shall be held not less than three times a year. A quorum shall be two members.

There should be at least one meeting a year, or part thereof, where the Committee meets the external and internal auditors without executive Board members and management present.

External auditors, internal auditors or a member of the Committee may request a Committee meeting if they consider that one is necessary.

Other than as set out below, no one other than the Committee members shall be entitled to attend Committee meetings.

The Group CFO, Group Financial Controller, Head of Internal Audit and the external auditors shall normally be invited to attend all Committee meetings.

Non-executive directors, who are not members of the Committee, may attend Committee meetings.

Other Board members, members of management and other persons may attend meetings at the invitation of the Committee.

Outside of formal meeting it is expected that the audit committee chairman, and to a lesser extent the other members, will wish to keep in touch on a continuing basis with the key people involved in the company's governance, including the Chair of the Board, the Group chief executive, the CFO, the external audit lead partner and the head of internal audit.

## **6. Reporting**

The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board.

Reports of meetings of the Committee shall be made to the Board at its next regularly scheduled meeting following the Committee meeting accompanied by any recommendations.

The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report, signed by the Chair.

The Committee Chair shall attend the AGM and shall answer questions, through the Chair of the Board, on the Committee's activities and their responsibilities.

The audit committee has a role in ensuring that shareholder interests are properly protected in relation to financial reporting and internal control. The committee should consider the clarity of its reporting and be prepared to meet investors.

## **Appendix I**

### **Policy on the provision of non-audit services by the external auditors:**

The Committee should consider the provision of all non-audit services by the external auditors on a case by-case basis prior to the commencement of the work.

- The Committee will not agree to the external auditor providing non-audit services if those services appear on the 'blacklist' provided in the FRC in its Ethical Standards for Auditors or any other specific guidance from the UK authorities. The list is set out below:
  - Tax services relating to:
    - Preparation of tax forms;
    - Payroll tax;
    - Customs duties;
    - Identification of public subsidies and tax incentives unless support from the audit firm is required by law;
    - Support regarding tax inspections by tax authorities unless support from the audit firm is required by law;
    - Calculation of direct and indirect tax and deferred tax;
    - Provision of tax advice
  - Services that involve playing any part in management or decision-making of the audited entity;
  - Bookkeeping and preparing accounting records and financial statements;
  - Payroll services;
  - Designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information, or designing and implementing financial information technology systems;
  - Valuation services, including valuations performed in connection with actuarial services or litigation support services;
  - Legal services, with respect to
    - Provision of general counsel;
    - Negotiating on behalf of the audit entity;
    - Acting in an advocacy role in the resolution of litigation.
  - Services related to the audited entity's internal audit function;
  - Services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity;
  - Promoting, dealing in, or underwriting shares in the audited entity;
  - Human resources services with respect to:
    - Management in a position to exert significant influence over the preparation of accounting records or financial statements which are the subject of the audit, where such services involve:
      - Searching for or seeking out candidates for such positions; or
      - Undertaking reference checks of candidates for such positions;
  - Structuring the organisation design; and
  - Cost control.
- The Committee has agreed that the external auditors can be engaged to perform non-audit services without referral to the Committee when the services are not on the list above and are 'clearly trivial', which in this instance will be taken to mean where the fees are budgeted to be less than £30,000. Such non-audit services must be reported to the Committee at the next meeting of the Committee;
- In addition the cumulative total fees relating to any permitted services not on the above list are subject to a cap of 70% of the average of the audit fees for the preceding three-year period.

The Committee will consider any SEC guidance relating to the provision of non-audit services by the external auditor if it is more restrictive than the UK guidance.

## ***Appendix II***

### ***Policy for the employment of former employees of the external auditor:***

- To ensure the independence of the external auditors the Group is required under the terms of our engagement with them to obtain written consent prior to soliciting, employing or attempting to employ any person, who is, or has been, over the previous year (two years in the case of a partner or director) directly involved in our UK statutory audit.
- Should the Group wish to do so, approval of the Chair of the Audit Committee should be obtained prior to approaching the audit firm for consent.
- Appointment by the company, its subsidiaries and joint ventures of employees of the external auditors unconnected with the company's, subsidiaries' and joint ventures' external audits is not restricted by this policy.