

# TERMS OF REFERENCE FOR ITV plc AUDIT COMMITTEE

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## 1. Constitution

The Board has resolved to establish a Committee of the Board to be known as the Audit Committee.

## 2. Membership

- 2.1. 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 2 members, all of whom shall be independent non-executive directors. One of the members may have recent and relevant financial experience.
- 2.2. 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, Chief Operating Officer, other directors, other management involved in internal audit, risk management or legal/compliance and other representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 2.3. The external auditors and the head of internal audit will be invited to attend meetings of the Committee on a regular basis.
- 2.4. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director remains independent.
- 2.5. 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. The Chairman of the Board shall not be a member of the Committee.

## 3. Secretary

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

## 4. Quorum

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

## 5. Frequency of Meetings

- 5.1. The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle or at the request of the Chairman of the Committee, any of its members or the external or internal auditors if they consider it necessary.

## 6. Notice of Meetings

- 6.1. Meetings of the Committee shall be summoned by the Secretary of the Committee.

6.2. 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, any other person required to attend and all other non-executive directors, as early as practicable before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **7. Minutes of Meetings**

7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

7.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

7.3. Conflicts of interest must be declared by Committee members at the beginning of meetings and the Secretary should record any such declaration in the minutes.

## **8. Annual General Meeting**

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

## **9. Duties**

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### **9.1. Financial Reporting**

9.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual reports, interim management statements, preliminary and interim results announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain. The Committee shall also review summary financial statements.

9.1.2. The Committee shall review where necessary:

9.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;

9.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;

9.1.2.3 whether the company has followed the most appropriate accounting policies and made appropriate estimates and judgments, taking into account the views of the external auditor;

9.1.2.4 the clarity of disclosure in the company's financial reports and the context in which statements are made; and

9.1.2.5 all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (in so far as it relates to the audit and to risk management).

## 9.2. Internal Controls and Risk Management Systems

The Committee shall:

- 9.2.1. keep under review the effectiveness of the company's internal controls and risk management systems;
- 9.2.2. review and approve the statements to be included in the annual report concerning internal controls and risk management; and
- 9.2.3. review on a regular basis reports on internal control.

## 9.3. Whistleblowing and Fraud

- 9.3.1. the Committee shall review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action; and
- 9.3.2 review the Company's procedures for detecting fraud.

## 9.4. Internal Audit

The Committee shall:

- 9.4.1. monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;
- 9.4.2. approve the appointment and removal of the head of the internal audit function;
- 9.4.3. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 9.4.4. review and assess the annual internal audit plan;
- 9.4.5. review summaries of all reports on the Company from the internal auditors and have access to full reports as the Committee considers appropriate;
- 9.4.6. review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- 9.4.7. meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board, the Senior Independent Director and to the Committee.

## 9.5. External Audit

The Committee shall:

- 9.5.1. consider and make 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. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 9.5.2. oversee the relationship with the external auditor including (but not limited to):
  - 9.5.2.1. approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - 9.5.2.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 9.5.2.3. assessing annually their independence and objectivity 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;
  - 9.5.2.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
  - 9.5.2.5. agreeing with the Board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy;
  - 9.5.2.6. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
  - 9.5.2.7. 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; and
  - 9.5.2.8. seeking to ensure co-ordination with the activities of the internal audit function.
- 9.5.3. 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;
- 9.5.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 9.5.5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
  - 9.5.5.1. a discussion of any major issues which arose during the audit,
  - 9.5.5.2. any accounting and audit judgments, and

9.5.5.3. levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit.

9.5.6 review any representation letter(s) requested by the external auditor before they are signed by management;

9.5.7 review the management letter and management's response to the auditor's findings and recommendations; and

9.5.8 develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

#### 9.6. Reporting Responsibilities

9.6.1. The Committee Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

9.6.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.6.3. The Committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.

#### 9.7. Other Matters

The Committee shall:

9.7.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;

9.7.2. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;

9.7.3. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the FSA Listing Rules, Prospectus Rules and Disclosure and Transparency Rules as appropriate;

9.7.4. review, approve and monitor the insurance position of the Group, including general insurance arrangements and directors' and officers liability insurance;

9.7.5. review the policies and processes for identifying and assessing business risks;

9.7.6. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort;

9.7.7. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval. For the avoidance of doubt, such committee self-evaluation will form only a part of the wider formal and rigorous annual evaluation to be undertaken by the Board of its own performance and that of its committees and individual directors; and

9.7.8 The Committee may undertake any other projects relating to its remit which it considers appropriate or as requested by the Board.

## 10. Authority

The Committee is authorised by the Board:

- 10.1. to seek any information it requires from any employee of the company in order to perform its duties;
- 10.2. to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- 10.3. to call any employee to be questioned at a meeting of the Committee as and when required; and
- 10.4. to gain unrestricted access to all books and records of the Company.

*Adopted by the Board in February 2004*

*Amended by the Board in May 2005*

*Amended by the Board in April 2008*