



CORPORATE GOVERNANCE IN THE RANK GROUP PLC

AUDIT COMMITTEE – TERMS OF REFERENCE

Constitution and membership

1. The audit committee is a committee of the board of Rank and, as such, is appointed by and reports to the board of Rank.
2. The audit committee is not an executive committee; it makes recommendations to the Rank board. Specific authority is delegated to the committee by the Rank board to agree the external audit fee.

The audit committee is authorised by the Rank board to investigate any activity within its terms of reference. For this purpose it may seek any information it requires from any employee and employees are directed to co-operate with any such request made by the audit committee.

The audit committee is authorised to obtain independent legal, accounting or other advice and to agree all necessary fees, which will be paid by the Company.

3. The chairman and members of the audit committee shall be appointed from the independent non-executive members of the board of Rank. The board should satisfy itself that at least one member of the audit committee has recent and relevant financial experience. The committee shall consist of not fewer than three and not more than five members.

Each member of the committee is prohibited from owning or controlling 20 per cent or more of the Company's voting securities, or such lower number as may be established by applicable law. No member of the committee will receive any compensation from the Company except for board or committee service.

Appointments to the committee shall be 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.

4. The secretary of the audit committee shall be the company secretary of Rank.

Attendance at meetings

5. A quorum shall be two members; meetings may be held in person or by telephone.

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.

6. In addition to the members of the committee, when appropriate and necessary the following will receive the committee papers and attend meetings:-
 - the chairman of Rank
 - the chief executive of Rank
 - the finance director of Rank
 - the executive committee member responsible for internal audit and/or the director of

- internal audit
- a partner in the accounting firm who are external auditors of Rank

Papers will also be circulated to other board directors who are not members of the audit committee or who would not normally attend audit committee meetings.

7. The chairman of the audit committee may request the attendance of others at meetings, including Rank's legal advisers, and if so requested executive directors will make themselves available.
8. At least once a year a partner representing the external auditors will meet with the audit committee without any executive member of the Rank board being present. The director of internal audit may also meet with the committee separately if either they or the committee request such a meeting.
9. The director of internal audit and the external auditors shall have the right of direct access to the chairman of the audit committee.
10. Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Company chairman, the chief executive, the finance director, the external audit lead partner and the director of internal audit.

Frequency of meetings

- 11 Meetings of the audit committee will be held at least three times a year as follows:
 - (a) Prior to the issue of the preliminary full year results. This meeting will include a review of the report by the external auditors on the preliminary full year results.
 - (b) Prior to the issue of the half year results. This meeting will include a review of the report by the external auditors on the half year results.
 - (c) The committee will also address the scope of the audit, audit fees, changes proposed to accounting policies and annual report issues.

Additional meetings of the committee may be called by any member of the committee as required.

Duties

- 12 The duties of the audit committee shall be:
 - (a) To review and monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing and reporting to the board on significant financial issues and judgements contained in them, and the applicability of accounting policies and any changes from those adopted in previous periods;
 - (b) To be directly responsible for the oversight of the work of the external auditors;
 - (c) To review in conjunction with management and internal and external auditors the Company's financial controls and the Company's internal control and risk management systems. In particular the committee will review the processes in place and actions

taken to comply with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014 edition).

- (d) To monitor and review the effectiveness of the Company's internal audit function and to ensure there is proper co-ordination between internal and external auditors. In this regard the committee shall:
- approve the appointment or termination of appointment of the director of internal audit;
 - review and approve the charter of the internal audit function and ensure the function has 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;
 - ensure the internal auditor has director access to the Company chairman and to the committee chairman and is accountable to the committee;
 - review and assess the annual internal audit work plan;
 - receive a report on the results of the internal auditor's work on a periodic basis;
 - review and monitor management's responsiveness to the internal auditor's findings and recommendations;
 - meet with the director of internal audit at least once a year without the presence of management; and
 - monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (e) To 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 Company's external auditors and to approve the remuneration and terms of engagement of the external auditors;
- (f) To obtain and review a formal written statement delineating all relationships between the external auditors and the Company, consistent with applicable auditor independence standards. The committee will actively engage with the external auditors with respect to any disclosed relationships or services that could impact the objectivity or independence of the auditors and take further action to ensure the auditors' independence as necessary. The committee shall discuss with the external auditors the matters required by applicable auditing standards;
- (g) To oversee the relationship with the external auditor including (but not limited to):
- recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
 - 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) which could adversely affect the auditor's independence and objectivity;
- agreeing with the board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - monitoring the auditor compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - evaluating the risks to the quality and effectiveness of the financial reporting process;
- (h) To ensure that at least once every 10 years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender 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 tender process;
- (i) If an external auditor resigns, to investigate the issues leading to this and decide whether any action is required;
- (j) To meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (k) To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (l) To review with the external auditors:
- all critical accounting policies and practices to be used by the Company in preparing its financial statements;
 - all alternative treatments of financial information within IAS that have been discussed with management, ramifications of the use of these alternative disclosures and treatments, and the treatment preferred by the external auditors; and
 - other material communications between the external auditors and management, such as any management letter or schedule of unadjusted differences. In addition, the committee shall review with the external auditors any audit problems or difficulties and management's response.
- (m) To review any representation letter(s) requested by the external auditor before they are signed by management;
- (n) To develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account applicable law and relevant ethical guidance

regarding the provision of non-audit services by the external audit firm;

- (o) To review and approve in advance all proposed transactions between the Company and related parties;
- (p) To review with management, and any outside professionals as the committee considers appropriate, the effectiveness of the Company's disclosure controls and procedures;
- (q) To ensure the regular rotation of the lead audit partner of the external auditors and to consider whether there should be regular rotation of the audit firm;
- (r) To pre-approve the hiring of any employee or former employee of the external auditors who was a member of the Company's audit team during the preceding two financial years. In addition, the committee shall pre-approve the hiring of any employee or former employee of the external auditors (within the preceding two financial years) for senior positions within the Company, regardless of whether that person was a member of the Company's audit team;
- (s) To review shareholders' circulars and Listing Particulars or similar public documents, including the Financial Review as well as any statements regarding profit forecasts or working capital requirements;
- (t) To review arrangements by which employees and contractors of the Company may, in confidence, raise concerns about possible improprieties in matters of accounting, internal accounting, auditing and financial reporting. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action; and to 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;
- (u) To review the Company's procedures for detecting fraud;
- (v) To review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- (w) Where requested by the board, to review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Reporting

13. The chairman of the audit committee shall report to the board on the deliberation and activities of the committee at each board meeting following a committee meeting. Minutes of the audit committee meetings will be circulated with the papers for the subsequent board meeting. The committee chairman shall also formally report to the board on how the committee has discharged its responsibilities. This report shall include:
 - (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - (b) the committee's assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the external auditor;

- (c) any recommendations to the board the committee deems appropriate on any area within its remit where action or improvement is needed;
 - (d) any other issues on which the board has requested the committee's opinion.
14. The Company's annual report will in a separate section describe the work of the committee in discharging its responsibilities. This report will include:
- a summary of the role of the audit committee;
 - names and qualifications of the members of the committee;
 - number of audit committee meetings;
 - an explanation of how, if the auditor provides non-audit services, auditor objectivity and independence is safeguarded;
 - an explanation as to how the committee has assessed the effectiveness of the external audit process;
 - the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the external auditor;
 - all other information requirements set out in the Financial Reporting Council's UK Corporate Governance Code (the "Code") (September 2014 edition).
15. The chairman of the audit committee should attend the Company's annual general meeting to answer questions on the report on the audit committee's activities and matters within the scope of its responsibilities.

Other matters

16. The audit committee shall:
- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretary for assistance as required;
 - (b) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members
 - (c) give due consideration to laws and regulations, the provisions of the Code, the Financial Conduct Authority's Listing Rules and Disclosure Rules and Transparency Rules and any other applicable rules, as appropriate;
 - (d) work and liaise as necessary with all other board committees;
 - (e) review and assess the adequacy of its terms of reference on an annual basis and recommend any changes to the board.

Approved by the board on 1 July 2015