

STHREE PLC (OR 'THE COMPANY')
TERMS OF REFERENCE
OF THE AUDIT COMMITTEE

1. Purpose

The Audit Committee is established as a Committee of SThree plc pursuant to Article 96 of the SThree plc Articles of Association. Its purpose is to assist the Board in the effective discharge of its responsibilities for corporate governance, financial reporting and corporate control. The Audit Committee has no Executive powers with regard to its recommendations and does not relieve the Directors of their responsibilities for these matters.

All powers are subject to the limitations of authority as detailed within the 'Schedule of Matters Reserved for the SThree plc Board/Committees and subsidiary Company control framework' and Group Authorities Matrix, as amended from time to time.

2. Membership

2.1 The Committee shall comprise at least three members. 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.

2.2 All members of the Committee shall be independent Non Executive Directors at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The Chairman of the Board shall not be a member of the Committee.

2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, other Directors, Internal Audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.4 The external auditor will be invited to attend meetings of the Committee on a regular basis.

2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.

2.6 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.

3. Secretary

The Group Company Secretary or his or her nominee shall act as the secretary of the Committee.

4. Quorum

The quorum necessary for the transaction of business shall be two members. 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

The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5.1 The Committee shall, at least twice a year, meet with the external auditors, without management being present, to discuss matters relating to its remit and any issues arising from the audit or interim review.

5.2 The Committee shall, at least twice a year, meet with internal audit, without management being present, to discuss matters relating to its remit.

5.3 Outside the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairman, the Group CEO, the CFO and/or the Group Company Secretary

6. Notice of meetings

6.1 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of external or internal auditor if they consider it necessary.

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 (if agreed), to all other Non Executive Directors, no later than five working days 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 decisions of all meetings of the Committee, including recording the names of those present and in attendance.

7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

8. Annual General Meeting

The Committee Chairman should attend the Annual General Meeting to answer 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. The Committee shall provide an independent overview of the integrity of the Company's system of internal control, whistleblowing investigation, risk management and financial

reporting processes through the co-ordination and supervision of the quality, independence and effectiveness of the internal and external auditors and reviewing the Company's financial reporting.

9.1 Financial reporting

9.1.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

9.1.2 In particular, the Committee shall review and challenge 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 appropriate accounting standards and made appropriate estimates and judgements, 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 business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

9.1.3 The Committee shall 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. This review shall assess whether the narrative in the front of the report is consistent with the accounting information in the back.

9.2 Internal controls and risk management systems

The Committee shall

9.2.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control 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.

9.2.3 work with the Board to develop the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment drawing on such financial stability assessments as may be relevant for the Company's risk policies

9.2.4 oversee and advise the Board on the current risk exposures of the Company and future risk strategy

9.2.5 in relation to risk assessment, to work with the Board to

9.2.5.1 keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used

9.2.5.2 review regularly and approve the parameters used in these measures and the methodology adopted

9.2.5.3 set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance

9.2.6 review the Company's capability to identify and manage new risk types

9.2.7 before a decision to proceed is taken by the Board, where requested by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available.

9.2.8 review reports on any material breaches of risk limits and the adequacy of proposed action

9.2.9 keep under review the effectiveness of the Company's internal financial controls and internal controls and risk management systems and review and approve the statements to be included in the Annual Report concerning internal controls and risk management

9.2.10 provide qualitative and quantitative advice to the remuneration Committee on risk weightings to be applied to performance objectives incorporated in Executive remuneration

9.2.11 recommend to the Board the appointment and/or removal of the chief risk officer (or any equivalent position)

9.2.12 review promptly all reports on the Company from the chief risk officer (or any equivalent position)

9.2.13 review and monitor management's responsiveness to the findings and recommendations of the chief risk officer (or any equivalent position)

9.2.14 the chief risk officer (or any equivalent position) shall be given the right of direct access to the Chairman of the Board and to the Committee

9.3 Compliance, whistleblowing and fraud

The Committee shall

9.3.1 review the adequacy and security of the Company's arrangements for its employees and contractors 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

9.3.2 review the Company's procedures for detecting fraud

9.3.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance

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 reports addressed to the Committee from the internal auditor and monitor management's closure of findings

9.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor

9.4.7 meet the Head of Internal Audit at least twice 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 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 a new auditor 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 recommendations on 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 UK 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 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

9.5.2.7 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures

9.5.2.8 seeking to ensure co-ordination with the activities of the Internal Audit Function

9.5.2.9 the Committee shall ensure that at least once every ten years (or such other period as required by regulations) the audit services contract is put to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other 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 for the duration of the tendering process

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 the auditor's 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 judgements

9.5.5.3 levels of errors identified during the audit

9.5.5.4 the effectiveness of the audit

The Committee shall also

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

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.

10. Reporting responsibilities

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

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

10.3 The Committee shall compile a report to shareholders describing its work in discharging its responsibilities to be included in the Company's Annual Report and Accounts. This report shall typically include:

10.3.1 a summary of the role of the Committee;

10.3.2 the names and relevant qualifications of all members of the Committee during the period;

10.3.3 the number of Committee meetings;

10.3.4 the significant issues that the Committee considered in relation to the financial statements¹ and how these issues were addressed, having regard to matters communicated to it by the auditors;

10.3.5 an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and the information on the length of tenure of the current audit firm, when a tender was last conducted, and any contractual obligations that acted to restrict the Committee's choice of external auditors; and

10.3.6 if the external auditor provides non-audit services, how auditor objectivity and independence is safeguarded².

¹ The Committee will need to exercise judgement in deciding which if the issues it considered in relation to the financial statements are significant and should include at least those matters that have informed the board's assessment of whether the Company is a going concern. The Committee should aim to describe the significant issues in a concise and understandable form. The statement need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information. The Committee should not disclose information which, in its opinion, would be prejudicial to the interests of the Company.

² The explanation should describe the work of the Committee in discharging its responsibilities; set out the Committee's policy on the engagement of the external auditor to supply non-audit services in sufficient detail to describe each of the elements in paragraph 4.39 of the UK Corporate Governance Code or cross-refer to where this information can be found on the Company's website; and set-out, or cross refer to, fees paid to the auditor for audit services, audit related services and other non-audit services and, if the auditor provides non-audit services, other than audit related services, explain for each significant engagement or category of engagements what the services were, why the Committee concluded that it was in the interests of the Company to purchase them from the auditor (rather than another supplier) and how auditor objectivity and independence has been safeguarded.

11. Other matters

The Committee shall

11.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required

11.2 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

11.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code ('the Code') and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate

11.4 be responsible for co-ordination of the internal and external auditors

11.5 oversee any investigation of activities which are within its terms of reference

11.6 arrange for periodic reviews of its own performance and, at least bi-annually, review its 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

11.7 The Chairman of the Committee shall be available to any member of the senior management to discuss any matters of concern, in relation to financial reporting matters, internal controls or compliance with the Group's legal and regulatory obligations.

12. Authority

The Committee is authorised

12.1 to seek any information it requires from any employee of the Company in order to perform its duties

12.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference

12.3 to call any employee to be questioned at a meeting of the Committee as and when required

12.4 to have the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.

November 2015