



RUSPETRO PLC

(the “Company”)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

(the “Committee”)

The UK Corporate Governance Code (the “Code”) states that “*the board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company’s auditors.*” It goes on to clarify that, in practical terms, this means that “*the board should establish an audit committee...*”

These terms of reference have been produced to identify and formalise the roles and responsibilities of the Committee in order to comply with the requirements of the Code.

1. MEMBERSHIP

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Committee (the “**Committee Chairman**”).
- 1.2 The Committee shall comprise at least three members. All members of the Committee shall be independent Non-executive Directors, at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer and external auditor will be invited to attend meetings on a regular basis. Other individuals, such as the Chairman of the Board, Chief Executive Officer and heads of risk, compliance and internal audit may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 All appointments to the Committee shall be for a period of up to three years, so long as members remain independent.
- 1.5 The Committee Chairman shall be appointed by the Board. 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.
- 1.6 With the agreement of the Committee Chairman, members may appoint an alternate to attend Committee meetings and to act on their behalf. The alternate member must be an independent Non-executive Director of the Company. The alternate will be counted as a Committee member for the purposes of determining whether a quorum is present in accordance with 3 below.

2. SECRETARY

- 2.1 The Company Secretary or his or her nominee shall act as the secretary of the Committee and will ensure that the Committee, and any other person invited to attend, receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. QUORUM

- 3.1 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.

4. FREQUENCY OF MEETINGS

- 4.1 The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside the formal programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

5. NOTICE OF MEETINGS

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of external lead partner or head of internal audit if they consider it necessary.
- 5.2 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, and any other person required to attend, 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.

6. MINUTES OF MEETINGS

- 6.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so.

7. ANNUAL GENERAL MEETING

- 7.1 The Committee Chairman should attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

8. DUTIES

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

8.1 Financial Reporting

- (a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.
- (b) In particular, the Committee shall review and challenge where necessary:
- (i) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
 - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (iv) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;

- (v) significant adjustments resulting from the audit;
 - (vi) the going concern assumption; and
 - (vii) all material information presented with the financial statements, such as the strategic report, business review and the corporate governance statements relating to the audit and risk management.
- (c) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

8.2 **Narrative Reporting**

Where requested by the Board, the Committee should 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.

8.3 **Internal Controls and Risk Management Systems**

The Committee shall:

- (a) keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

8.4 **Compliance, whistleblowing and fraud**

The Committee shall:

- (a) 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;
- (b) review the Company's procedures for detecting fraud;
- (c) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (d) review regular reports from the Compliance Officer on the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- (e) review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

8.5 **Internal Audit**

The Committee shall consider, at least annually, whether the size and development of the Company merited the establishment of an internal audit function.

If an internal audit function is established, the Committee shall:

- (a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
- (b) approve the appointment or removal of the head of the internal audit function;
- (c) review and approve the remit of the internal audit function and ensure it has the necessary resources and access to information to enable it to perform its mandate effectively and in accordance with appropriate professional standards for internal auditors. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (d) review and assess the annual internal audit plan;
- (e) receive reports on the results of the internal auditor's work on a periodic basis;

- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (g) meet the head of internal audit at least once a year, without management being present. 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 Chairman and is accountable to the Committee.

8.6 External Audit

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- (b) ensure that [at least once every ten 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 tendering process;
- (c) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (d) oversee the relationship with the external auditor including (but not limited to):
 - (i) 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;
 - (ii) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) 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;
 - (iv) 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;
 - (v) agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - (vi) 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;
 - (vii) 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;
 - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
 - (ix) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the Company's auditor from the market in that evaluation.
- (e) 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;

- (f) 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;
- (g) review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) key accounting and audit judgements;
 - (iii) levels of errors identified during the audit; and
 - (iv) the effectiveness of the audit process;
- (h) obtain from the external auditor a memorandum describing such “relevant audit information” as may be required by the external auditor from time to time for the purposes of any statutory directors’ statement in connection therewith, and institute such procedures as it sees fit to enable the directors to provide such statement; and
- (i) consider and review the finding of any external tax advisor to the Company or any of its subsidiaries.

The Company shall also:

- (j) review any representation letter(s) requested by the external auditor before they are signed by management;
- (k) review the management letter and management’s response to the auditor’s findings and recommendations;
- (l) develop and implement a policy on the supply of non-audit services by the external auditor, to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter; and
- (m) keep under review and report to the Board on the nature and extent of non-audit services supplied by the external auditors, identifying any matters in respect of which action or improvement needed and making recommendations as to the steps to be taken.

9. REPORTING RESPONSIBILITIES

- 9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities.
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3 The Committee shall compile a report on its activities to be included in the Company’s annual report. The report should include an explanation of how the Company has addressed 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 auditor; and all other information requirements set out in the Code.
- 9.4 In compiling the reports referred to in 9.1 and 9.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board’s assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

10. OTHER MATTERS

10.1 The 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 ongoing basis for all members;
- (c) give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, the provisions of 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;
- (d) be responsible for co-ordination of the internal and external auditors;
- (e) supervise the Company's policy in respect of tax planning;
- (f) oversee any investigation of activities which are within its terms of reference;
- (g) work and liaise as necessary with all other Board Committees;
- (h) 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; and
- (i) make publicly available its terms of reference explaining clearly its role and the authority delegated to it by the Board.

11. AUTHORITY

The Committee is authorised:

- 11.1 by the Board to investigate any activity within its terms of reference;
- 11.2 to seek any information it requires from any employee or director of the Company, or any consultant or other provider of services to the Company in order to perform its duties. All employees, directors, consultants and other service providers of services are directed to co-operate with requests for information made by the Committee including requests to attend meetings of the Committee;
- 11.3 to obtain, at the Company's expense, independent legal accounting or other professional advice on any matter within its terms of reference;
- 11.4 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.5 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.

Approved by the Audit Committee: 2 April 2014
Approved by the Board: 3 April 2014