

**Kier Group plc (the “Company”)**  
**Risk Management and Audit Committee (the “Committee”)**  
**Terms of Reference**

### **Role**

The role of the Committee is to assist the board of directors of the Company (the “Board”) to establish formal and transparent arrangements for considering how it should apply corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the Company’s auditors.

### **Membership/Secretary**

The Committee shall consist of a minimum of three (3) members including at least one member of the Remuneration Committee. The members shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chair of the Committee.

All members of the Committee shall be independent non-executive directors of the Company. At least one (1) member of the Committee shall have recent and relevant financial experience and competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sectors in which the Company operates. The Chair of the Board shall not be a member of the Committee.

The Chair of the Committee will be appointed by the Board. In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting. The Company Secretary or his or her nominee shall act as the secretary of the Committee.

### **Meetings**

The Committee shall meet at least three (3) times per annum at appropriate times in the reporting and audit cycle and at such other times as it sees fit. The quorum for meetings of the Committee shall be two (2) members. Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial Officer, the Head of Internal Audit/Group Risk & Assurance and the Lead External Audit Partner will be invited to attend meetings of the Committee on a regular basis and other individuals, such as the Chair of the Board, the Chief Executive, any other Executive Directors of the Company, the Senior Internal Audit Manager and other representatives from the Group finance function may also be invited to attend meetings of the Committee. Representatives from the external audit firm or any co-sourced internal audit firm may be invited to attend all or part of any meeting.

### **Notice of meetings**

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 the Company’s external audit firm, the Company’s internal audit firm or the Group Risk & Assurance.

Notice of each meeting confirming the venue, time and date of the meeting, an agenda of items to be discussed at the meeting and supporting papers shall be sent to each member of the Committee and any other person required to attend at least five (5) business days in advance of the meeting.

### **Minutes of meetings**

The secretary shall minute the proceedings and decisions of all Committee meetings.

### **Engagement with shareholders**

The Chair of the Committee will attend the annual general meeting of the Company to answer shareholder questions on the Committee's activities. In addition, the Chair of the Committee should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

### **Duties**

The Committee shall carry out the following duties:

### **Financial reporting**

The Committee will (taking into account the views of the external or internal auditors):

- monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and, any other formal announcement relating to its financial performance (unless otherwise reviewed by the Board), and review significant financial reporting issues and judgements contained in them;
- in particular, review and challenge where necessary;
  - the consistency of application of accounting policies, both on a year-on-year basis and across the Group, and any changes to such policies;
  - the methods used to account for significant or unusual transactions where different approaches are possible; and
  - whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements; and
- where requested by the Board, review the content of the annual report and accounts and advise the Board on whether, taken as a whole, the annual report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code (the Code).

### **Risk management and internal control systems**

The Committee will:

- keep under review the adequacy and effectiveness of the Company's risk management and internal control systems including the systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- where required, support or advise the Board in relation to its obligation to monitor and, at least annually, review, the effectiveness of all material risk management and internal controls (including financial, operational and compliance controls); and
- review and approve the statements to be included in the annual report relating to the Company's risk management and internal control systems.

### **Risk/long-term viability**

The Committee will:

- advise the Board on the emerging and principal risks facing the Company (including those that would threaten its business model, future performance, solvency or liquidity), the identification of emerging risks and the management and mitigation of such risks;
- assist the Board in relation to the Board's confirmation in the annual report that it has carried out a robust assessment of such risks, such disclosure to include a description of the principal risks, the procedures in place to identify emerging risks and an explanation of how these are being managed or mitigated; and
- assist the Board in relation to the Board's (i) explanation in the annual report as to how it has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate

and (ii) statement as to whether it has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment (the 'viability statement').

### **Internal Audit**

The Committee will:

- consider the policies and procedures to ensure the independence and effectiveness of the internal audit function including that it has adequate resources and appropriate access to information;
- review and assess the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
- monitor and annually review the effectiveness of the internal audit function;
- review reports addressed to the Committee from the director responsible for Internal Audit/Group Risk & Assurance on risk management and internal control matters; and determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
- meet the director responsible for Internal Audit/Group Risk & Assurance at least once a year, without management being present, to discuss the effectiveness of the internal audit function.

### **External Audit**

The Committee will:

- consider the policies and procedures to ensure the independence and effectiveness of the external auditor including considering and making 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. The Committee will develop and oversee the selection process for a new auditor ensuring that all tendering firms have access to necessary information and individuals during the tender process. If an external auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the external auditor including (but not limited to):
  - approving the terms of engagement, including any engagement letter issued in connection with each audit and the scope of the audit;
  - assessing annually the auditor's independence and objectivity;
  - develop, recommend to the Board, and implement the Company's formal policy on the provision of non-audit services by the auditor to ensuring that there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard and reporting to the Board on any improvement or action required by it in this respect;
  - reviewing and approving the annual audit plan, and ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
  - reviewing any representation letter(s) requested by the external auditor before they are signed by management and management's response to the external auditor's findings and recommendations and.
  - meeting with the external auditor at least annually without management present to, for example, discuss the auditor's remit and audit findings.

### **Reporting responsibilities**

The Chair of the Committee shall formally report to the Board on the Committee's proceedings after each Committee meeting.

The Committee shall produce a report on how it has discharged its responsibilities to be included as a separate section in the Company's annual report, addressing the issues referred to in section 4 of the UK Corporate Governance Code.

### Other matters

The Committee will:

- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance, as required;
- have access to training to assist members of the Committee to discharge their obligations, both in the form of an induction programme for new members and on an ongoing basis for all members;
- give due consideration to the provisions of the Code and published guidance, the FRC's Guidance on Board Effectiveness, the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules and any other applicable laws, regulations and guidance (for example, the FRC's Guidance on (i) Audit Committees and (ii) Risk Management, Internal Control and Related Financial and Business Reporting);
- work and liaise as necessary with all other Board committees, ensuring interaction between committees and with the Board is reviewed regularly; and
- arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.

### Authority

The Committee is authorised to

- obtain, at the Company's expense, legal or other professional advice on any matter within its terms of reference; and
- to publish in the company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

**Last updated: August 2020**