

ASHTEAD GROUP PLC
AUDIT COMMITTEE – TERMS OF REFERENCE

A. Purpose

The Audit Committee reports to the Group Board and is responsible for oversight and monitoring of financial reporting, risk management and internal control.

B. Membership

1. The Committee shall comprise at least three members, each of whom shall be independent non-executive directors appointed by the Board upon the recommendation of the Nomination Committee, at least one of whom should have recent and relevant financial experience. The Chair of the Board should not be a member of the Committee. The Committee as a whole shall have competence relevant to the sectors in which Company operates.
2. Upon the recommendation of the Nomination Committee the Board shall appoint the Chair of the Committee.
3. The Company Secretary shall be the secretary of the Committee and shall keep minutes of its meetings.
4. No one other than the Committee's Chair and members is entitled to be present at a meeting of the Committee, although others may be invited to attend.

C. Meetings

1. The Committee shall meet at least four times a year.
2. Meetings of the Committee may be called by any member of the Committee or by the secretary.
3. Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall normally be forwarded to each member of the Committee at least three working days prior to the date of the meeting. Meetings may be held either physically or by telephone / video conference.
4. The quorum of the meeting shall be two members.
5. In the absence of the Committee Chair, the remaining members present shall elect one of their number to chair the meeting.
6. The Committee shall meet with the external auditors, the internal auditors and the Group finance director at least once a year without any other directors or staff members being present.
7. The external auditors, the internal auditors, the Group's finance director and other relevant individuals shall be invited to attend meetings of the Committee as and when appropriate. In addition, other individuals of the Board may also be invited to attend its meetings with the Chair's consent.

D. Duties

D.1 Financial reporting

The Committee shall:

1. monitor the integrity of the financial statements of the Company, including its annual and quarterly reports and preliminary results announcements, 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 external auditors;
2. review the findings of the audit with the external auditors. This shall include, but not be limited to, the following:
 - a. a discussion of any major issues which arose during the audit;
 - b. key accounting and audit judgements;
 - c. levels of error identified during the audit; and
 - d. the effectiveness of the audit process;
3. review, and challenge where necessary, the actions and judgements of management, in relation to the annual and interim financial statements before submission to the Board, paying particular attention to:
 - a. critical accounting policies and practices, and any changes in them;
 - b. compliance with accounting standards, taking into account the views of the external auditor;
 - c. decisions requiring a major element of judgement;
 - d. the extent to which the financial statements are affected by any significant or unusual transactions in the year and how they are disclosed;
 - e. the clarity of disclosures;
 - f. significant adjustments resulting from the audit;
 - g. the going concern assumption;
 - h. compliance with stock exchange and other legal requirements;
 - i. reviewing the Company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for identifying and assessing business risks and the management of those risks by the Company;
4. When the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

D.2 Narrative reporting

Where requested by the Board, 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 the shareholders to assess the Company's position and performance, business model and strategy.

D.3 Internal control and risk assessment

The Committee shall:

1. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems; and
2. review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

D.4 Internal audit

The Committee shall:

1. consider annually whether there should be an internal audit function (internally resourced or outsourced), in addition to the Group's internal operational audit functions, and make recommendations to the Board accordingly;
2. where there is an internal audit function:
 - a. approve the appointment or termination of the head of internal audit (or Partner of the outsourced provider) ('HIA');
 - b. ensure the HIA has direct access to the Board Chair and the Committee Chair and is accountable to the Committee;
 - c. review and assess the internal audit work plan;
 - d. receive a report on the results of the internal auditor's work on a periodic basis;
 - e. review and monitor management's responsiveness to the internal auditor's findings and recommendations;
 - f. meet with the HIA during the audit cycle without the presence of management;
 - g. at least annually, monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system; and
 - h. review and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.

D.5 External audit

The Committee shall:

1. consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment, reappointment and removal of the external auditors;
2. following the application of the European Union's transitional rules on putting audit services out to tender, ensure that at least once every ten years the audit services contract is put out to tender to enable the Committee to select the appropriate audit firm based on quality and capability 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;
3. if the external auditors resign, investigate the issues leading to this and decide on whether any action is required;
4. oversee the relationship with external auditors. This includes (but is not limited to):
 - a. making recommendations on their remuneration, including both fees for audit and non-audit services, satisfying itself that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - b. approval of their terms of engagement, including any engagement letter issued at the start of each audit, and the scope of the audit;
 - c. seeking to ensure co-ordination with the activities of the internal audit function, where appropriate;
 - d. annual assessment of their independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the external auditors, including the provision of any non-audit services;
 - e. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditors and the Company (other than in the ordinary course of business) which could adversely affect the external auditors' independence and objectivity;
 - f. monitoring the external auditors' compliance with the 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;
 - g. assessing annually their qualifications, expertise and resources and the effectiveness of the audit process, taking into account relevant UK professional and regulatory requirements and requiring a report from the external auditors on their own internal quality procedures;
 - h. developing and implementing 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
 - i. agreeing with the Board a policy on the employment of former employees of the Company's external auditors, then monitoring the implementation of this policy;

5. 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;
6. meet regularly with the external auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee will meet with the external auditor at least once a year, without management being present, to discuss the external auditors' remit and any issues arising from the audit;
7. review on behalf of the Board any Group representation letter(s) requested by the external auditors before they are signed by management; and
8. review the Group management letter and management's response to the auditors' findings and recommendations.

D.6 Reporting responsibilities

1. The Committee Chair 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.
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.
3. The Committee shall compile a report to shareholders on its activities, to be included in the Company's Annual Report. The report should include the significant issues which 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 auditors; an explanation of how the Committee has assessed the effectiveness of the external audit process; and all other information requirements set out in the UK Corporate Governance Code ('the Code').

D.7 Further responsibilities

1. The Committee shall undertake a review of the Company's emerging and principal risks and advise the Board whether the disclosures in the Annual Report relating to the description of principal risks, procedures for identifying emerging risks and the explanation of how these are being managed or mitigated are appropriate.
2. The Committee shall review the following disclosures in the Annual Report and advise the Board whether they can properly be made:
 - a. the viability statement concerning the prospects of the Company, including the justification for the period chosen, taking account of the Company's current position and principal risks; and
 - b. the going concern statement.

E Other matters

The Committee shall:

1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
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;
3. give due consideration to laws and regulations, 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;
4. ensure that the Group finance director and, if applicable, the HIA has the right of direct access to the Chair of the Committee;
5. oversee any investigation of activities which are within its terms of reference;
6. work and liaise as necessary with all other board committees, and
7. arrange for periodic reviews of its own performance and, at least once a year, 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.

F. Authority

1. The Committee is a committee of the Board and has no authority independent of the functions delegated to it and is to report its findings and recommendations directly to the Board. The functions of the Committee do not relieve the Board from any of its responsibilities.
2. There is to be no delegation of executive power to the Committee.
3. The Committee shall have the right to seek any necessary information to perform its duties.
4. The Committee shall have the power to call any member of staff to be questioned at a meeting of the Committee as and when required.
5. The Committee shall have the right to obtain outside legal help and any professional advice, at the Company's expense, which might be necessary for the fulfilment of its duties. Any authority to incur costs at the Company's expense is subject to the Company's prior approval to the expenditure and such approval shall not be unreasonably withheld.
6. The Committee shall 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 Board on the 18th day of May 2020

Signed 
Eric Watkins, Company Secretary