

Hays plc

AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

The Audit and Risk Committee (the “Committee”) is a committee of the Board of Directors (the “Board”) of Hays plc (the “Company”) from which it derives its authority and to which it regularly reports.

1. Membership and Roles and Responsibilities

- 1.1. The Committee shall comprise of at least three members, all of whom shall be Independent Non-Executive Directors. Member of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Committee Chair.
- 1.2. Committee membership will initially be for three years and can be subsequently extended by additional three-year periods, provided that the relevant member continues to meet the independence and, if applicable, the financial experience criteria for membership of the Committee. At least one member of the Committee should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The Committee shall have competence relevant to the sector in which the Company operates.
- 1.3. The Committee shall include, where possible, one member of the Remuneration Committee. The Chair of the Board shall not be a member of the Committee.
- 1.4. Only members of the Committee have the right to attend Committee meetings. However, the external Auditor, Finance Director and Internal Auditor will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.5. The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.6. The Committee Chair should attend the annual general meeting to answer shareholder questions on the Committee’s activities. In addition, the Committee Chair should seek engagement with shareholders, as appropriate, on significant matters related to the Committee’s areas of responsibility.
- 1.7. Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company’s governance, including the Board chair, the Chief Executive, the Finance Director, the Group General Counsel, the external Audit lead partner and the Head of Internal Audit.
- 1.8. The Company Secretary or his or her nominee will act as Secretary to the Committee, ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

2. Frequency of Meetings, Quorum and Meeting Operations

- 2.1. The Committee shall hold sufficient meetings as its role and responsibilities require, which ordinarily shall not be less than four times each year, at appropriate times in the reporting and audit cycle.
- 2.2. The Committee shall meet the lead external audit partner at least once a year, without management being present, to discuss their remit and any issues arising from the external audit carried out.
- 2.3. The Committee shall meet with the head of internal audit at least once a year, without management being present to discuss their remit, and any issues arising from audits carried out.
- 2.4. In addition, the head of internal audit will have direct access to the Chairmen of both the Board and the Committee with or without the presence of management if they consider that a meeting is necessary.
- 2.5. The quorum necessary for the transaction of business shall be two members.
- 2.6. The Secretary shall minute the proceedings and decisions of all meetings of the Committee including recording the names of those present and in attendance. 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 in the opinion of the Committee Chair.
- 2.7. 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 the external Audit lead partner or Head of Internal Audit if they consider it necessary.
- 2.8. 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 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.
- 2.9. The Minutes of the Executive Risk Committee shall be tabled at the meetings of the Committee for noting.

Duties

The Committee shall carry out the duties set out below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate. The Committee shall, in a way that complies with the responsibilities of audit committees as laid out in the Financial Conduct Authority's Disclosure Guidance and Transparency Rules and the Audit Committees and the External Audit: Minimum Standard:

3. Financial and Narrative Reporting

- 3.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary 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.
- 3.2. The Committee will advise the Board if it is not satisfied with any aspect of the Company's proposed financial reporting. In particular, the Committee shall review and challenge where necessary:

- 3.2.1. the appropriateness and application of significant accounting policies (both on a year on year basis and across the Group), compliance with accounting standards, stock exchange, legal and regulatory requirements, including any changes in accounting standards in the period;
 - 3.2.2. any significant adjustments proposed by the Auditor during their review and any matters of significant disagreement between Auditor and management including any aspect of the proposed financial reporting by the Company or where different approaches are possible;
 - 3.2.3. the clarity and completeness of disclosures in the financial statements and the context in which statements are made;
 - 3.2.4 All material information presented with the financial statements, such as the strategic report and the corporate governance statement relating to the audit and risk management; the viability statement assumptions;
 - 3.2.5 the treatment of any other major judgmental items; and
 - 3.2.6 the appropriateness of the going concern assumption.
- 3.3 The Committee will review the content of the Annual Report and Accounts and the process undertaken to advise the Directors whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and 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).
- 3.4 The Committee will review the process undertaken to ensure that Directors are able to make the statement required by section 418 Companies Act 2006 in respect of relevant audit information.
- 3.5 The Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.
- 3.6. The Committee shall review the disclosure of the emerging and principal risks in the business and the associated corporate governance statement regarding internal controls and compliance with the Code as well as review the clarity and completeness of disclosures in the financial statements and consider whether the disclosures made are set properly in context.

4. External Audit

- 4.1. The Committee shall ensure the audit services contract is put out to tender at least once every ten years 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.
- 4.2. In an event, if an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 4.3. The Committee shall recommend to the Board, to be put to the shareholders for approval at the AGM, the appointment, re-appointment and removal of the external Auditor.
- 4.4. The Committee shall oversee the relationship with the external auditor including:

- 4.4.1. considering whether the audit fees for audit and non-audit work are appropriate, and whether an effective audit can be performed for this sum;
- 4.4.2. considering any questions of resignation, dismissal and independence, including investigation of any issues arising and considering whether any action is required;
- 4.4.3 approving their engagement letter, including any issued at the start of an audit;
- 4.4.4 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;
- 4.4.5 at least annually, obtain and review: (1) the external audit firm's annual transparency report and the annual report of the FRC's Audit Quality Review team on its work; (2) any material issues raised by the most recent internal quality control review or peer review of the audit firm, or by any investigation by governmental or professional authorities within the last five years, regarding any independent audit carried out by the firm, and any steps taken to address these issues; and (3) all relationships between the auditor and the Company;
- 4.4.6 seeking to ensure co-ordination with the activities of the internal audit function;
- 4.4.7 reviewing and approving 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;
- 4.4.8 considering the nature, scope and materiality of the audit, ensuring that there are no restrictions on the audit scope;
- 4.4.9 reviewing the external Auditor's management letter and management's response;
- 4.4.10 agreeing with the Board a policy on the employment of former employees of the external Auditor and monitoring the implementation of this policy;
- 4.4.11 monitoring the Auditor's compliance with relevant ethical and professional guidance including, but not limited to, the rotation of partners;
- 4.4.12 seeking reassurance that the auditors and their staff have no financial, business, employment or family and other personal relationship with the company which could adversely affect the auditor's independence and objectivity;
- 4.4.13 reviewing any representation letters requested by the Auditor before they are signed by management;
- 4.4.14 develop and recommend to the board the Company's formal policy on the provision of non-audit services by the Auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - a. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - b. the nature of the non-audit services;

- c. whether the external audit firm is the most suitable supplier of the non-audit service;
 - d. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
 - e. the criteria governing compensation;
- 4.5.15. reviewing the effectiveness and objectivity of the audit process on an annual basis, the quality control procedures and consider the expertise and resources of the Auditor. The annual transparency report of the audit firm should also be considered, when published;
- 4.4.16. reviewing the key accounting and audit judgements of the audit with the external auditor and their explanation of how any risks to audit quality were addressed, as well as the level of errors identified during the audit;
- 4.4.17. considering communications from the external Auditor on audit planning and findings and on any material weaknesses in accounting and internal control systems that came to the Auditor's attention; and
- 4.4.18. assessing periodically the risks associated with the possible withdrawal of the Auditor from the market and consider whether any mitigating action is appropriate.

5. Internal Control and Risk Management

- 5.1 The Committee shall on behalf of the Board (which retains overall responsibility for risk) assist the Board with the definition and execution of a risk management strategy, risk policies and current risk exposures.
- 5.2 The Committee shall monitor and review the company's material internal controls including financial, operational and legal compliance controls and risk management systems including:
- 5.2.1. reviewing the adequacy and effectiveness of the internal control and risk management systems;
 - 5.2.2. considering reports from the management on the effectiveness of the systems they have established and the conclusion of any testing carried out by internal or external auditors;
 - 5.2.3. reviewing and challenging the policies and overall process for identifying and robustly assessing business risks (financial and non-financial) and managing their impact on the Group;
 - 5.2.4. reviewing the timelines and effectiveness of corrective action taken by management;
 - 5.2.5. reviewing the development of an Audit and Assurance Policy;
 - 5.2.6. reviewing and approving the statements to be included in the annual report concerning internal controls and risk management; and
 - 5.2.7. The Internal Head of Audit and Chief Risk Officer shall have direct access to the Chair of the Committee and the Board and shall be appointed or removed in consultation with the Committee.

6. Risk Appetite

- 6.1 Review reports and recommendations regarding the Group's overall Risk Appetite Statement and make recommendations thereon to the Board for the approval of the Risk Appetite Statement;
- 6.2 Taking into account the Group's Risk Appetite Statement, review the Group's material risk exposures, including market, operational, regulatory, customer, reputational, cyber, liquidity and economic risks against the Group's risk methodologies and management's actions to monitor and control such exposures;
- 6.3 Review regular reports from the Group's Enterprise Risk Management function and conduct robust assessments of the Group's top risks and material cross-cutting risks on an at least biannual basis, reporting to the Board on the likelihood and impact of principal risks materialising and their management and mitigation;
- 6.4 Consider and keep under review the Group's capability for identifying and managing emerging and new risk types; and
- 6.5 Review the effectiveness of the Group's Risk Framework and related policies and make recommendations thereon to the Board for the approval of material changes to the Group's Enterprise Risk Management Framework as required.

7. Internal Audit

The Committee shall monitor and review the effectiveness of the company's internal audit function including:

- 7.1. in the context of the Company's overall risk management system;
- 7.2. at least annually reviewing and approving the internal audit programme, to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- 7.3. approval of the appointment or dismissal of the Head of Internal Audit;
- 7.4. reviewing and approving the terms of reference for internal audit;
- 7.5. reviewing internal audit reports and procedures to ensure implementation of recommendations including management responses thereto;
- 7.6. ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 7.7. considering the terms of the outsourcing arrangements for the conduct of the internal audit programme; and
- 7.8. considering whether an independent, third party review of processes is appropriate.

8. Ethics and other matters

- 8.1 The Committee shall ensure compliance with laws, regulations, ethical and other issues including:

- 8.1.1 evaluating the effectiveness of processes for determining exposures to litigation and claims and from non-compliance with laws and regulations;
- 8.1.2 reviewing and challenging the appropriateness and treatment of any non-standard financing structures;
- 8.1.3 reviewing with the group's lawyer, and others, any legal, tax or regulatory matter that may have a material impact on the group's operations or financial statements;
- 8.1.4 the adequacy and security of the Group's arrangements for all colleagues to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, including bribery and corruption. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.1.5 reviewing the Company's procedures for detecting fraud, including the Fraud Risk Framework;
- 8.1.6 the Group's procedures, systems and controls for the prevention and detection of bribery, and corruption and receive reports on non-compliance with Group policy in this area from the Company Secretary and ensure that arrangements are in place to investigate any such matters, through independent third-parties where appropriate;
- 8.1.7 in areas where the Committee has responsibility for monitoring compliance with internal policies and procedures reviewing the relevant policies annually or when there is a significant change and assessing compliance with those policies on an annual basis; and
- 8.1.8 considering other topics as defined by the Board.

9. Reporting requirements

- 9.1. 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. This report shall include the significant issues that it considered in relation to the financial statements and how these were addressed, as well as, its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor.
- 9.2. The Committee shall prepare a report for inclusion in the annual report and accounts, specifically including:
 - 9.2.1. a summary of the role of the Committee;
 - 9.2.2. the names and qualifications of all members of the Committee during the period;
 - 9.2.3. the number of Committee meetings;
 - 9.2.4. the way the Committee has discharged its responsibilities;
 - 9.2.5. how the policy for non-audit services was applied to safeguard the Auditor's objectivity and independence;
 - 9.2.6. how the Committee reached its recommendation to the board on the appointment, reappointment or removal of the Auditor, with supporting information on tendering

frequency, the tenure of the incumbent Auditor and any contractual obligations that acted to restrict the Committee's choice of external Auditor; and

9.2.7 an explanation of how the Committee 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.

9.3 In compiling the above report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statement are significant, particularly those matters that have informed the board's assessment of whether the Company is a going concern and the inputs to the board's viability statement.

10. Committee Evaluation and Terms of reference review

10.1 The Committee shall monitor and evaluate the performance of the Committee and make recommendations to the Board about any necessary adjustments.

10.2. At least annually, the Committee shall review its terms of reference and recommend any changes it considers necessary to the Board for approval.

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

11.4. oversee any investigation of activities which are within its terms of reference;

11.5. work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and

11.6. report its activities to the Board on a regular basis.

12. Authority

The Committee is authorised to:

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

12.2 obtain, at the company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;

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

12.4 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.

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