

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

These terms of reference for the Audit Committee have been adopted by the Board of Directors (the "Board") of Guardian Media Group plc (the "Company"). The Audit Committee (the "Committee") shall review and reassess these terms of reference annually and recommend any proposed changes to the Board for approval.

### **Purpose**

The purpose of the Committee is to assist the Board in its oversight of:

- (i) the integrity of the Company's financial statements, including the accounting and financial reporting process of the Company and audit of the Company's financial statements. This oversight is extended to include the financial statements of the Company's parent, The Scott Trust Limited as noted below,
- (ii) the Company's compliance with legal and regulatory requirements,
- (iii) the external auditors' qualifications and independence, and
- (iv) the performance of the Company's internal audit functions and external auditors.

In fulfilling its purpose, the Committee shall maintain free and open communication with the Company's external auditors, internal auditors, and management...

### **Duties and Responsibilities**

In furtherance of this purpose, the Committee shall have the following duties and responsibilities:

#### General Review

1. To review major issues in respect of the Company regarding accounting principles, policies, practices, and judgments and financial statement presentations, including:
  - (i) any significant changes to the Company's selection or application of accounting principles;
  - (ii) the adequacy and effectiveness of the Company's internal controls;
  - (iii) any special audit steps adopted in light of material control deficiencies; and
  - (iv) the going concern assumption.
2. To review analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements of the Company...

#### Financial Information Review

3. To discuss with management and the external auditors the external auditors' judgments about the quality and appropriateness of the Company's accounting principles and underlying estimates in its financial statements.

4. To discuss with management and the external auditors the Company's annual audited financial statements together with the results of the external auditors' review prior to Board approval.

#### Internal Controls

5. To monitor and review the effectiveness of the Company's internal audit function. To review the internal audit programme, ensure co-ordination between the internal and external auditors and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
6. To discuss with management and the external auditors the integrity of the Company's financial reporting processes and internal financial controls, including policies and guidelines with respect to risk assessment and risk management and the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.
7. To discuss periodically with the Board any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements and the adequacy and effectiveness of the Company's internal financial controls.
8. To discuss periodically with the Company's Chief Executive and Group Finance Director
  - (i) all significant deficiencies and material weaknesses in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarise and report financial data,
  - (ii) any significant changes in internal controls or other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses, and
  - (iii) any fraud involving management or other employees who have a significant role in the Company's internal controls.
9. To review the external auditor's management letter and management's response.
10. To review, on an annual basis, all relationships between the external auditors and the Company.

#### External Auditors

11. To make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, including the retention of the external auditors for any significant permissible non-audit engagement. The Committee may also take into account the opinions of management in its dealings with the external auditors.
12. To develop and implement policy on the engagement of the external auditor to supply non-audit services.

13. To evaluate annually the experience, qualifications, performance and independence of the external auditors, including their lead partners. To ensure the regular rotation of the audit partners, as required by applicable laws, rules and regulations. To consider whether there should be regular rotation of the external auditors. The Committee may take into account the opinions of management and the internal auditors in its evaluation of the external auditors. The Committee will present its conclusions regarding the external auditor to the Board.
14. To review with the external auditors any audit problems or difficulties, together with management's responses, including any restrictions on the scope of the external auditors' activities or on access to requested information, and any significant disagreements with management.
15. To discuss the results of the year-end audit of the Company with the external auditors and any other matters required to be communicated to the Committee by the external auditors under generally accepted accounting standards.
16. To discuss with the external auditors before the audit commences, the nature and scope of the audit.
17. To discuss with the external auditors the quality of the Company's financial and internal audit personnel.

#### Legal Compliance and Complaints

18. To have access to the Company's lawyers to discuss, as required, any legal matters that could have a significant impact on the Company's financial statements or the Company's compliance with applicable laws and regulations, any breaches of fiduciary duties, and inquiries received from regulators or governmental agencies.
19. To review with management and the external auditors any correspondence with regulators or governmental agencies and any published reports and employee complaints concerning financial matters which raise material issues regarding the Company's financial statements or accounting policies.
20. To establish and maintain procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential, anonymous submission by the Company's employees of concerns regarding questionable accounting or auditing matters.
21. To investigate and address any reports of evidence of breaches of fiduciary duties.

#### Other Audit Committee Responsibilities

22. To establish clear guidelines for the hiring of current or former employees of the Company's external auditors.
23. To conduct any investigation appropriate to fulfill its responsibilities with the authority to have direct access to the external auditors as well as anyone in the Company.
24. To keep abreast of new accounting and reporting standards.

25. To consider and determine any proposal by management regarding the termination of the Company's contract with the controller of internal audit.
26. To perform any other activities consistent with these terms of reference, as the Committee or the Board deems necessary or appropriate.

### **The Scott Trust Limited**

On behalf of the Scott Trust Limited (STL) Board, the Audit Committee will undertake the following activities on an annual basis:

- it will review major issues in respect of STL, regarding accounting principles, policies, practices, and judgements and financial statement presentations, including:-
  - (i) any significant changes to STL's selection or application of accounting principles;
  - (ii) the adequacy and effectiveness of STL's internal controls;
  - (iii) any special audit steps adopted in light of material control deficiencies; and
  - (iv) the going concern assumptions.
- It will review analyses prepared by management or the external auditor setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements of STL.
- it will discuss with management and the external auditors the external auditors' judgements about the quality and appropriateness of STL's accounting principles and underlying estimates in its financial statements.
- it will discuss with management and the external auditors, STL's annual audited financial statements together with the results of the external auditors' review prior to STL Board approval.

### **Outside Advisors**

The Committee, acting by majority vote, shall have the authority to retain, at the Company's expense, outside legal, accounting, or other advisors or experts it deems necessary to perform its duties. The Committee shall retain these advisors without seeking Board approval and shall have sole authority to approve related fees and retention terms. The Committee shall receive appropriate funding from the Company for payment of fees to outside advisors engaged by the Committee.

### **Annual Performance Evaluation**

The Committee shall conduct an annual self-performance evaluation. The Committee shall report on its annual self-performance evaluation to the Board and recommend to the Board any improvements to these terms of reference it deems necessary.

## **Membership and Independence Requirements**

The Committee shall consist of no fewer than two (2) independent directors, as determined by the Board. Each Committee member shall meet the applicable independence requirements set out in The Combined Code, as determined by the Board, and any other requirements set forth under applicable laws, rules and regulations, subject to any applicable exceptions, exemptions or phase-in periods. All Committee members shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements.

Committee members shall be appointed by the Board. Each prospective Committee member shall carefully evaluate existing time demands before accepting Committee membership. No director may serve as a Committee member if such director serves on the audit committee of more than two (2) other public companies, unless the Board expressly determines that such service would not impair that director's ability to serve on the Committee. The Committee members may be removed, with or without cause, by a majority vote of the Board.

The chief executive, group financial director, the controller of internal audit, and representatives of the external auditors shall normally attend meetings. Other executive and independent directors shall also have the right of attendance.

The company secretary shall be the secretary of the Committee.

## **Chairman**

The Committee shall include a Committee chairman. The Committee chairman shall be appointed by a majority vote of the Board. The Committee chairman shall be entitled to chair all regular sessions of the Committee and add topics to the agenda. In the event of a tied vote, if less than the entire Committee has voted on such matter, then such matter shall be voted on by the entire Committee. If a tie persists after the entire Committee has voted on the matter, then such matter shall be voted on by the independent members of the Board of Directors, with independence being determined in accordance with The Combined Code.

## **Meetings**

The Committee shall meet, in person, at least four (4) times a year, or more frequently as circumstances dictate, and all Committee members shall strive to be present at all Committee meetings. The Committee meetings shall follow a set agenda established by the Committee.

The chairman may call a Committee meeting upon due notice of each other Committee member at least forty-eight (48) hours prior to the meeting. Two Committee members, acting in person or by proxy, shall constitute a quorum.

The external auditors may request a meeting if they consider that one is necessary.

The Committee should meet separately, at least once a year, with the external auditors and separately with the controller of internal audit without executive Board members present, to

discuss any matter that the Committee or any of these groups believes may warrant Committee attention.

### **Reporting Procedures**

The secretary shall prepare and circulate the minutes of the meeting of the Committee to all members of the Board and maintain a minute book containing minutes of meetings signed by the Chairman of the meeting.

The Committee shall report its actions and recommendations to the Board after each Committee meeting.

### **Transparency**

The terms of reference of the Committee will be published on the Company web-site [www.gmgplc.co.uk](http://www.gmgplc.co.uk) and made available on request, from the company secretary.

The Committee will make a statement in the annual report about its activities. The statement will include details on the membership of the Committee, the number of Committee meetings and attendance over the course of the year.

Approved by the Board June 2010.