

Audit and Risk Committee - terms of reference

1. Membership

- 1.1 Members of the Audit and Risk Committee (in this document only “**the Audit Committee**”) shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Audit Committee. The Audit Committee shall be made up of at least three members. All of them shall be Rockhopper non-executive directors.
- 1.2 At least two of these members, and a majority of them, shall be “independent” for the purposes of the UK Corporate Governance Code. At least one of them shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Audit Committee.
- 1.3 Only members of the Audit Committee have the right to attend Audit Committee meetings. However, other directors and other individuals (including representatives of external advisers) may be invited to attend all or part of any meeting as and when appropriate in the opinion of the Committee’s chairman or the majority of its members.
- 1.4 The external auditor will be invited to attend meetings of the Audit Committee on a regular basis.
- 1.5 Appointments to the Audit Committee shall be for a period of up to three years (subject to the election and re-election provisions in the Company’s constitution and in the UK Corporate Governance Code), which may be extended for further periods..
- 1.6 The Board shall appoint the Audit Committee chairman who shall be an independent non-executive director. In the absence of the Audit Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

The company secretary, or any other person selected for the task by the Audit Committee, shall act as the secretary of the Audit Committee.

3. Quorum

The quorum necessary for the transaction of business shall be two members present in person or by telephone. A duly convened meeting of the Audit 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 Audit Committee.

4. Frequency of meetings

The Audit Committee shall meet at least twice a year at appropriate times in the reporting and audit cycle, and otherwise as required.

5. Notice of meetings

5.1 Meetings of the Audit Committee shall be called by the secretary of the Audit Committee at the request of any of its members or at the request of an external or internal auditor if such person considers 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 Audit 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 Audit Committee members and to other attendees as appropriate.

6. **Minutes of meetings and resolutions**

6.1 The secretary shall minute the proceedings and decisions of all meetings of the Audit Committee, including recording the names of those present and in attendance.

6.2 Decisions of the Audit Committee may take the form of a resolution in writing, copies of which have been signed by each member of the Audit Committee or to which each member of the Audit Committee has otherwise indicated agreement in writing.

6.3 Draft minutes of Audit Committee meetings shall be circulated promptly to all members of the Audit Committee. Once approved, or in the case of written resolutions signed, minutes should be circulated to all members of the Board other than where it would be inappropriate to do so.

7. **Annual General Meeting**

The chairman of the Audit Committee shall attend the Annual General Meeting to answer shareholder questions on the Audit Committee's activities.

8. **Duties**

The Audit Committee should carry out the duties below for Rockhopper, major subsidiary undertakings and the Group as a whole, as appropriate.

8.1 ***Financial reporting***

(a) The Audit Committee shall monitor the integrity of the financial statements of Rockhopper, including its annual and interim reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.

(b) The Audit Committee shall review and challenge where necessary:

(i) the consistency of, and any changes to, accounting policies both on a year on year basis and across Rockhopper and its Group;

(ii) the methods used to account for significant or unusual transactions where different approaches are possible;

(iii) whether Rockhopper has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

(iv) the clarity of disclosure in Rockhopper's financial reports and the context in which statements are made; and

- (v) all material information presented with the financial statements, such as the business review (or, if and when applicable, the operating and financial review) and the corporate governance statement (insofar as it relates to the audit and risk management);

8.2 ***Internal controls and risk management systems***

The Audit Committee shall:

- (a) determine and review Rockhopper's risk profile, including the nature and extent of significant risks that Rockhopper is willing to take in achieving its strategic objectives;
- (b) keep under review the scope, adequacy and effectiveness of Rockhopper's internal financial controls and internal control and management systems;
- (c) receive reports from Rockhopper management and the external and internal auditor on the effectiveness and integrity of those systems;
- (d) review whether the principles of the guidance published by the Financial Reporting Council for directors on internal control requirements (commonly referred to as the "Turnbull Guidance") are being embedded within the Rockhopper Group;
- (e) review the timeliness of, and reports on, the effectiveness of corrective action taken by Rockhopper management;
- (f) review and approve the statements to be included in the annual report concerning internal controls and risk management, prior to consideration by the Board; and
- (g) review Rockhopper's codes of conduct, ethics and related corporate responsibility policies and how these are communicated to employees and monitored.

8.3 ***Whistleblowing, compliance and fraud***

The Audit Committee shall:

- (a) review the adequacy and security of Rockhopper's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- (b) ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action
- (c) review Rockhopper's procedures for detecting fraud; and
- (d) review Rockhopper's systems and controls for the prevention of bribery and receive reports on any alleged or suspected non-compliance.

8.4 ***Internal audit (if existent)***

The Audit Committee shall:

- (a) monitor and review the effectiveness of Rockhopper's internal audit function in the context of Rockhopper's overall risk management system;
- (b) approve the appointment and removal of the head of the internal audit function;

- (c) consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Audit 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) review all reports addressed to it from the internal auditor;
- (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, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman of the Board and to the Audit Committee.

8.5 **External audit**

The Audit Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of Rockhopper's external auditor. The Audit Committee shall oversee the selection process for a new auditor and, if an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- (b) oversee the relationship with the external auditor including:
 - (i) recommendations on the external auditor's remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (ii) approval of the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (iii) assessing annually the external auditor's independence and objectivity taking into account relevant 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 Rockhopper (other than in the ordinary course of business);
 - (v) agreeing with the Board a policy on the employment of former employees of Rockhopper's auditor, then monitoring the implementation of this policy;
 - (vi) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by Rockhopper compared to the overall fee income of the firm, office and partner and other related requirements;

- (vii) assessing annually the external auditor's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on its own internal quality procedures;
 - (viii) seeking to ensure co-ordination with the activities of the internal audit function; and
 - (ix) considering the risk of the withdrawal of the Rockhopper's present auditor from the market.
- (c) arrange regular meetings between a member of the Audit Committee and the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. A member or members of the Audit Committee shall meet the external auditor at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the audit;
 - (d) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - (e) review the findings of the audit with the external auditor. This shall include:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) any accounting and audit judgements;
 - (iii) levels of errors identified during the audit; and
 - (iv) the effectiveness of the audit;
 - (f) review any representation letter(s) requested by the external auditor before they are signed by management or on behalf of the Board;
 - (g) review the management letter and management's response to the auditor's findings and recommendations; and
 - (h) develop and implement a policy on the supply of non audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

9. Reporting responsibilities

- (a) The Audit Committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- (b) The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (c) The Audit Committee shall produce a report on its activities to be included in the annual report.

10. Other matters

The Audit Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the company secretariat 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 applicable laws and regulations, good corporate governance principles and practices and the requirements of the Listing Rules as appropriate;
- (d) be responsible for co-ordination of the internal and external auditor;
- (e) oversee any investigation of activities which are within its terms of reference; and
- (f) arrange for periodic reviews of its own performance and, at least once a year, review its own 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.

11. **Authority**

The Audit Committee is authorised:

- (a) to seek any information it requires from any employee of Rockhopper in order to perform its duties;
- (b) to obtain, at Rockhopper's expense, outside legal or other professional advice on any matter within its terms of reference;
- (c) to call any employee to be questioned at a meeting of the Audit Committee as and when required; and
- (d) to include in the annual report details of any issues that cannot be resolved between it and the Board.