

## Amec Foster Wheeler plc

### **Audit Committee of the Board**

#### **Terms of Reference adopted by the Board on 19 August 2015**

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#### **1. Membership and Independence**

- 1.1. The Committee shall comprise at least three independent Non-Executive Directors of the Company appointed by the Board in accordance with the independence requirements of applicable UK / US legislation, regulation, and relevant codes of practice.
- 1.2. At least one member shall have recent and relevant financial experience and a professional qualification from one of the professional accountancy bodies. Each member of the Committee shall be financially literate.
- 1.3. No member shall hold executive responsibility in the Company. No member may receive any consulting, advisory or compensatory fee from the Company other than as a member of the Committee, the Board or any other Board Committee, nor may they be an affiliate of the Company or its subsidiaries.
- 1.4. The Chairman of the Board shall not be a member of the Audit Committee.

#### **2. Quorum**

- 2.1. The quorum for meetings shall be two Committee members, including at least one member whom the Board believes has recent and relevant financial experience.
- 2.2. A duly convened meeting of the Committee at which a quorum is present shall be authorised to exercise all or any of the powers and discretions vested in or exercisable by the Committee.

#### **3. Committee Chairman**

The Non-Executive Director appointed to that office by the Board or, if not present, the remaining members present shall elect one of their number to chair the meeting.

#### **4. Committee Secretary**

Company Secretary or delegate.

#### **5. Attendance and Frequency of Meetings**

- 5.1. Only Committee members shall be entitled to be present at Audit Committee meetings. The Head of Internal Audit and a representative of the external auditors shall normally be invited to attend meetings. The Chairman of the Board or any other Director or Executive shall attend Committee meetings at the invitation of the Committee Chairman.
- 5.2. Frequency of Committee meeting will be determined by the Committee Chairman through the annual schedule of audit business and, in any event, at least three times a year immediately prior to the submission of the annual and interim statutory accounts to the Board, and the annual audit plans of the internal and external auditors.
- 5.3. The Committee Chairman shall call a meeting if requested to do so by any member of the Committee.
- 5.4. Members may attend by teleconference or video conference. A person so participating is deemed to be present in person at the meeting and shall be counted in a quorum accordingly.
- 5.5. The Head of Internal Audit or external auditors may require a meeting outside the schedule of audit business; such requests are to be made to the Committee Chairman.
- 5.6. Notices of all meetings of the Audit Committee, confirming the venue, time and date together with an agenda of items to be discussed and relevant papers, shall be circulated to Committee members and any other attendees, not less than five working days prior to the date of the meeting.

5.7. At least once a year the Committee shall meet separately with the external auditors and Head of Internal Audit without executive Board members or management being present.

## **6. Authority**

6.1. The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of external parties with relevant experience and expertise if it considers this necessary. The Company shall meet the expense of such advice.

6.2. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.

6.3. The Committee shall have the right to publish in the Annual report and Accounts details of any issues that cannot be resolved between the Committee and the Board.

## **7. Financial Reporting**

7.1. The Committee monitors and discusses with management and the external auditors:

7.1.1. the integrity of the financial statements of the Company, including the Annual and Interim Results, related Report and Accounts, Annual report on Form-20-F and Stock Exchange announcements and, any other formal announcements in connection with the Company's financial performance, focusing particularly on: any changes in accounting policies and practices;

7.1.2. key accounting and audit judgements;

7.1.3. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;

7.1.4. the clarity of disclosures, including management's discussion and analysis of financial results;

7.1.5. significant adjustments resulting from the audit;

7.1.6. the going concern assumptions and the appropriateness of continuing to adopt the going concern basis in preparing the accounts;

7.1.7. the longer term viability statement (in relation to the financial statements)

7.1.8. compliance with accounting standards;

7.1.9. compliance with London Stock Exchange, New York Stock Exchange, Financial Conduct Authority and other legal requirements;

7.1.10. the review of the statements to be made in the Annual Report and Accounts on internal control prior to endorsement by the Board and the policies and process for identifying and assessing business risks and the management of those risks, including the disclosure of strategic risks and any mitigating actions;

7.1.11. the review of and recommendation to the Board of any significant financial reporting judgements underpinning formal announcements and trading statements and consideration of the internal controls over financial reporting.

7.1.12. the review and consideration of the reports and activities of the Disclosure Committee

7.1.13. the review of the effectiveness of the disclosure controls, including meeting the requirements of the Sarbanes-Oxley Act

## **8. External Auditor Independence and Rotation**

8.1. The Committee shall:

8.1.1. oversee the selection process for new external auditors and make recommendations to the Board, to be put to shareholders for approval at the AGM, on the appointment, re-appointment and removal of the external auditors;

8.1.2. ensure rotation of the audit partners of the external auditors as necessary, in compliance with applicable UK / US rules or requirements, at least every five years in order to ensure continuing auditor independence;

- 8.1.3. approve the terms of engagement and remuneration to be paid to the external auditors in respect of all audit services provided;
- 8.1.4. assess the qualification, expertise and resources of the external auditors and the effectiveness and independence of the external audit process, at least annually;
- 8.1.5. discuss with the external auditors, before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 8.1.6. discuss problems and reservations arising from the interim and final audits, and any matters the external auditors may wish to discuss;
- 8.1.7. review the external auditors' management letter and management's response;
- 8.1.8. review the external audit representation letters before consideration by the Board, giving particular consideration to non-standard issues;
- 8.1.9. assess annually the independence and objectivity of the external auditors, taking into account relevant professional and regulatory requirements and the relationship with the external auditors as a whole, including the provision of non-audit services;
- 8.1.10. develop and recommend to the Board a policy in relation to the provision of non-audit services, taking into account relevant UK / US regulations, rules and ethical guide lines, ensuring that the provision of such services does not impair the external auditors' independence or objectivity;
- 8.1.11. shall monitor and pre-approve all audit and non-audit services, other than those expressly prohibited by UK and US regulations and rules;
- 8.1.12. where the external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.1.13. agree with the Board the Company's policy on the employment of former employees of the external auditor and monitoring the implementation of this policy;
- 8.1.14. review and approve the annual audit plan ensuring that it is consistent with the scope of the engagement;
- 8.1.15. review the statement in the annual report and accounts on internal control systems and risk management framework prior to endorsement by the Board;
- 8.1.16. keep under review the scope and effectiveness of internal financial controls and internal control and risk management systems.

## **9. Internal Audit Independence**

9.1. The Committee shall promote an effective Internal Audit function by:

- 9.1.1. reviewing the internal audit programme and ensuring co-ordination between internal audit and the external auditors;
- 9.1.2. ensuring that the Internal Audit function is adequately resourced, has appropriate standing within the Company and has appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- 9.1.3. ensuring that the Head of Internal Audit meets with the Audit Committee at least once a year without management being present, has direct access to the Chairman of the Board and the Audit Committee and is accountable to the Audit Committee;
- 9.1.4. receiving reports on the results of internal audit work on a periodic basis and reviewing and monitoring management's response to internal audit's findings and recommendations;
- 9.1.5. monitoring and assessing the role and effectiveness of the internal audit function in the overall context of the Company's risk management system;
- 9.1.6. being consulted about the appointment or the removal of the Head of Internal Audit.

## **10. Reporting and Ethical Concerns**

- 10.1. The Committee has been established by the Board in order to enable the directors to fulfil their obligations under the law, including the general duties of directors set out in the Companies Act 2006, the UK Corporate Governance Code, the Listing, Prospectus and Disclosure and Transparency Rules and any other applicable UK/US regulations, with regard to internal control and the Company's financial statements. The Chairman of the Audit Committee shall therefore report appropriately to the Board on the Committee's work, findings and conclusions.
- 10.2. The Chairman of the Committee shall be available to respond to any shareholders' questions relating to the Committee or its activities at any General Meeting of Shareholders.
- 10.3. The Committee shall:
  - 10.3.1. consider other topics, as determined by the Board.
  - 10.3.2. make whatever recommendations to the Board it deems appropriate.
  - 10.3.3. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, over accounting, internal accounting control and auditing matters and the confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
  - 10.3.4. review the Company's procedures for detecting, monitoring and managing the risk of fraud. All confirmed instances of fraud should be reported for review by the Audit Committee;
  - 10.3.5. prepare a report on its role and responsibilities, the actions it has taken and an explanation of how it has discharged those responsibilities; this report to be included in the Annual Report and Accounts. The content of the report will otherwise comply with the reporting requirements of the UK Corporate Governance Code;
  - 10.3.6. advise the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy;
  - 10.3.7. review the statements to be made in the Annual Report on compliance with the corporate governance requirements of the UK Corporate Governance Code, the Disclosure and Transparency Rules, the NYSE listing rules and rules and regulations of the SEC, along with the verification undertaken, including that of the external auditors, and advise the Board accordingly; and
  - 10.3.8. annually review its terms of reference and its own performance to ensure it is operating at maximum effectiveness and recommend any changes to the Board.

## **11. Duties of the Secretary**

- 11.1. The Secretary shall be required to keep a proper and timely record of meetings of the Committee and circulate such minutes to all members of the Committee, the Board, the Head of Internal Audit and to the external auditors.
- 11.2. The Secretary shall ensure that the Committee is properly constituted within these Terms of Reference. Any actual or anticipated variance of these terms should be brought to the attention of the Chairman of the Committee and the Chairman of the Board as appropriate.
- 11.3. The Secretary shall ensure that these Terms of Reference are publicly available on the Company's external web site.