

KINGSPAN GROUP PLC

Audit & Compliance Committee terms of reference

1. Composition

- 1.1 The Board Audit & Compliance Committee (**'the Committee'**) is established as a sub-committee of the Board.
- 1.2 Committee members are appointed by the Board, elected from the non-executive directors only, independent of management and free of any relationship that, in the opinion of the Board, would interfere with the exercise of independent judgment as Committee members.
- 1.3 The chair of the Committee is appointed by the Board from among the independent non-executive directors.
- 1.4 Appointments to the Committee shall be for such period as the Board may determine, and shall automatically terminate upon the member ceasing to be a director of the Board.
- 1.5 The secretary to the Board or their nominee shall also be secretary to this Committee.

2 Quorum

- 2.1 The quorum necessary for the transaction of business shall be three non-executive directors. A duly convened meeting of the 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 Committee.
- 2.2 Any member may join in a meeting of the Committee by telephone, and any meeting of the Committee may be held by means of telephone or other similar communication whereby all persons participating in the meeting can hear each other speak; and participation in a meeting in this manner shall constitute presence in person at such meeting.
- 2.3 A resolution signed or approved in writing (or by e-mail) by all the members of the Committee shall be as effective for all purposes as a resolution passed at a meeting of the Committee duly convened and held, and may consist of several documents in the like form each signed or approved by one or more of the Directors.

3 Attendance and frequency of meetings

- 3.1 At the request of the chair of the Committee, the finance director, other members of the executive group, and the head of internal audit will be in attendance at Committee meetings for selected agenda items, and representatives of the external auditor may also be invited from time to time.
- 3.2 The Chairman of the Board, the Chief Executive Officer and other Board members shall attend if invited by the Committee.
- 3.3 The external auditor and the head of internal audit shall each have time alone with the Committee once a year without members of the executive group being present.
- 3.4 The Committee shall meet at least three times a year and otherwise as required for the proper performance of its functions.

4 Notice of Meetings

- 4.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members, or at the request external or internal auditors if they consider it necessary.
- 4.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed together with supporting papers as appropriate, shall be forwarded to each member of the Committee, no later than 3 working days before the date of the meeting.

5 Minutes of Meetings

- 5.1 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- 5.2 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless a conflict of interest exists.

6 Annual General Meeting

- 6.1 The Chairman of the Committee shall attend the Annual General Meeting and answer questions through the chairman of the Board, on the Committee's activities and responsibilities.

7 Responsibilities

The Committee shall carry out the responsibilities below in relation to the Company and the Group:

The accounts

- 7.1 Reviewing, before they are presented to the Board for approval, the Company's accounts, and the Group accounts.
- 7.2 Determining whether the accounts so reviewed comply with the applicable accounting standards and whether, in the Committee's opinion, they give at the end of the financial year a true and fair view of the state of affairs of the Company and the Group, and the profit or loss of the Company and the Group
- 7.3 Recommending to the Board whether or not to approve the annual accounts and group accounts so reviewed;
- 7.4 Discussing with the external auditor prior to the audit the nature and scope of the audit and reviewing auditors' quality control procedures and steps taken by the auditors to respond to changes in regulatory and other requirements.
- 7.5 Reviewing the external auditors' management letter and management's responses and considering management's response to any major external or internal audit recommendations.

Auditor appointment and independence

- 7.6 Consider the appointment of the Group's external auditor and assess independence of the external auditor, ensuring key partners are rotated at appropriate intervals.
- 7.7 To recommend the audit fee, approve the procedures for the appointment of the external audit firm to provide non audit services and to ensure that the provision of such non audit services does not impair the external auditors independence or objectivity.

- 7.8 Advising the Board as to the recommendation to be made by the Board to the shareholders concerning the appointment of the Company's auditor.
- 7.9 Reviewing the audit firm's statement concerning their general policy to risks to independence.
- 7.10 Obtaining, from the external auditors, a formal written statement outlining current and relevant previous business and personal relationships between the audit firm and the Group.
- 7.11 Monitoring the number of former employees of the audit firm employed in senior positions and assessing its impact on auditor independence.
- 7.12 Monitoring the performance and quality of the auditor's work and the auditor's independence from the Company.
- 7.13 Obtaining from the auditor up to date information to enable the Committee to monitor the Company's relationship with the auditor, including, but not limited to, information relating to the auditor's affiliates.
- 7.14 Recommending whether or not to award contracts to the auditor or an affiliate of the auditor for non-audit work.

Financial reporting

- 7.15 Determining, at least annually, whether in the Committee's opinion, the Company has kept proper books of account in accordance with section 202 Companies Act 1990;
- 7.16 Reviewing material issues arising from management and internal audit reviews on the effectiveness of systems for internal control, financial reporting and risk management.
- 7.17 Reviewing the Company's statement on internal controls prior to endorsement by the Board and in particular to review:
 - (i) the procedures for identifying business risks and controlling their financial impact on the company;
 - (ii) the company's policies for preventing or detecting fraud;
 - (iii) the company's policies for ensuring that the company complies with relevant regulatory and legal requirements;
 - (iv) the operational effectiveness of the policies and procedures.
- 7.18 Reviewing and challenging, where necessary, the actions and judgements of management in relation to the annual financial statements before submission to the Board, paying particular attention to:
 - (i) critical accounting policies and changes thereto;
 - (ii) decisions requiring a major element of judgement;
 - (iii) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
 - (iv) the clarity of disclosures;
 - (v) significant adjustments from the audit;
 - (vi) the going concern assumption;
 - (vii) compliance with accounting standards;
 - (viii) compliance with legal, stock exchange and regulatory requirements;
 - (ix) reviewing the Group's statement on internal control systems prior to endorsement by the Board and to review the policies and processes for identifying and assessing business risks and management of those risks.

Internal audit and compliance

- 7.19 Approving in advance the appointment and termination of employment of the head of internal audit and the head of compliance who shall each have a right of direct access to the chair of the Committee at all times.
- 7.20 Approving the risk areas of the Group's operations covered within the scope of the internal audits and reviewing the internal audit programme.
- 7.21 Reviewing the quality, adequacy, resources, scope and nature of the work of the internal audit and compliance functions.
- 7.22 Receiving and reviewing reports from the head of internal audit; and on occasion to commission audit assignments to be conducted on the Committee's behalf.
- 7.23 Satisfying itself that the arrangements made and the resources available for internal audits are in the Committee's opinion suitable.
- 7.24 Reviewing, before its approval by the Board, the Directors' Compliance Statement, and determining whether, in the Committee's opinion, the statement (i) complies with the Companies Acts and (ii) is fair and reasonable and is based on due and careful enquiry.
- 7.25 Recommending to the Board whether or not to approve a statement reviewed under paragraph 7.24.

Other

- 7.26 Review those matters which the Board reserves to itself for ultimate decision.
- 7.27 The Committee at its own discretion is empowered to investigate any activity within its terms of reference, seek any information it requires from any employee and obtain legal or independent professional advice in the furtherance of its responsibilities.

8 Other matters

- 8.1 The secretary shall circulate the minutes of the meetings of the Committee to all members of the Board.
- 8.2 The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board, where necessary.
- 8.3 The Committee's duties and activities during the year shall be disclosed in the annual financial statements.

9 Authority

- 9.1 The Committee is authorised to seek any information it requires from any employee of the Group in order to perform its duties.
- 9.2 The Committee is authorised to obtain, at the Company's expense, outside legal or other professional advice on any matters within its terms of reference.

Reference to "the Board" shall mean the Board of Directors of Kingspan Group plc.

Reference to "the Committee" shall mean the Audit & Compliance Committee.

Reference to "the Company" shall mean Kingspan Group plc.

Reference to "the Group" shall mean the Kingspan Group plc and its subsidiaries.

Adopted by the Board on the 30 March 2007.

