

Brooks Macdonald Group plc

Audit Committee Terms of Reference

Chair: James Rawlingson

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Approved at: Group Board Meeting

Date of Next Review: June 2024



BROOKS MACDONALD

Audit Committee

Terms of Reference

1. Purpose

The Brooks Macdonald Group Audit Committee (the “Committee”) is a committee of the Brooks Macdonald Group Board (the “Board”), the purpose of which is to assist the Board in meeting its responsibilities for matters including:

- 1.1. The integrity of the Group’s financial statements and related announcements;
- 1.2. The effectiveness of the Group’s internal financial controls;
- 1.3. The independence and effectiveness of the internal and external audit processes;
- 1.4. The Group’s relationship with the external auditors; and
- 1.5. The effectiveness of the Group’s whistleblowing procedures.

2. Scope

The scope of the Committee covers oversight, review and challenge of the Brooks Macdonald Group (the “Group”) consolidated financial reporting and accounting policies, including consideration of the regulated subsidiary company financial statements. The responsibilities of the Committee in respect of internal financial controls, internal audit and the external auditor (as set out in Section 11) encompass the Group as a whole.

3. Chair

- 3.1. The Chair of the Committee shall be a Non-Executive Director appointed by the Board.
- 3.2. In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting.
- 3.3. The Chair will have the responsibility for overseeing and assessing the overall performance of the Committee, based on the responsibilities set out in section 10 and, in furtherance of this, will arrange for reviews of the Committee to be conducted at least annually.

4. Membership

- 4.1. The Committee shall comprise at least three members who shall be appointed by the Board.
- 4.2. The membership of the Committee is restricted to independent Non-Executive Directors, one of whom should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The majority of the Committee members shall have competence relevant to the financial services industry.

5. Attendees

- 5.1. Only members of the Committee have the right to attend committee meetings. The Committee may invite any individual, whether internal or external, to attend all or part of any meeting in whatever capacity as the Chair of the Committee deems appropriate in order to assist the Committee in its duties.
- 5.2. The Group Finance Director and the Chief Risk Officer shall routinely attend Committee meetings.

6. Quorum

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- 6.1. A meeting of the Committee will not be quorate unless at least two members of the Committee are present (either in person or by telephone, video conference, e-mail or other electronic means that facilitate the contemporaneous exchange of views).
- 6.2. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the responsibilities and discretions vested in or exercisable by the Committee.

7. Frequency of Meeting

- 7.1. The Committee shall meet as frequently as necessary to fulfil its duties and responsibilities at appropriate intervals in the financial reporting and audit cycle, but not less frequently than four times a year.
- 7.2. Any member of the Committee may request that a meeting be convened, although all meetings will be convened at the absolute discretion of the Chair.
- 7.3. 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 external audit lead partner, and the head of internal audit.

8. Minutes of Meeting

- 8.1. The Secretary shall record the proceedings, decisions and actions arising from the Committee meetings, including the names of those present.
- 8.2. Draft minutes shall be circulated to all Members and attendees, as appropriate, taking into account any conflicts of interest. Once approved, final signed copies of the minutes should be maintained for the company's records.

9. Engagement with shareholders

- 9.1. The Committee Chair should attend the Annual General Meeting ("AGM") to answer any shareholder questions on the Committee's activities. In addition, the committee chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

10. Responsibilities and Delegated Matters

Acting in its capacity as a committee of the Board and (where relevant) of its regulated subsidiary companies, the Committee shall:

Financial Reporting and Accounting Policies

- 10.1. Monitor the integrity of the consolidated financial statements of the Group, including its annual and half yearly reports, preliminary announcements and any other formal statements relating to its financial performance; and reviewing any significant financial reporting issues and judgements which they contain.
- 10.2. Review and challenge where necessary the consistency of, and any changes to, accounting policies both on a year-on-year basis and across the Group.
- 10.3. Review and challenge where necessary the methods used to account for significant or unusual transactions where different approaches are possible.
- 10.4. Review and challenge whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor.

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- 10.5. Review and challenge where necessary the clarity, completeness and appropriateness of disclosures in the Group's financial statements and consider whether the disclosures made are set properly in context, including the going concern statement (and if applicable viability statement) to be made by the Board and the related information presented with the financial statements (including the strategic report and corporate governance statements relating to the Committee).
- 10.6. Where requested by the Board, review the content of the annual report and accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.
- 10.7. Review and challenge management in relation to operational tax matters within the approved strategy / parameters.
- 10.8. Where the committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the board.

Narrative reporting

- 10.9. Where requested by the board, the committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's 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 Code.

Internal Controls and Risk Management

- 10.10. Keep under review the adequacy and effectiveness of the Group's internal financial controls; periodically receiving confirmation from the Risk & Compliance Committee that they have reviewed the adequacy and effectiveness of the Group's internal control and risk management systems. The approach and content of any such confirmation shall be as agreed by the Chairs of both Committees.

Internal Audit Function (using an outsourced model)

- 10.11. Monitor and review the effectiveness, independence, and objectivity of the Group's internal audit arrangements in the context of the Group's overall risk management system.
- 10.12. Approve the appointment and removal of the internal audit outsource provider.
- 10.13. Oversee the relationship with the outsourced internal auditor provider including (but not limited to):
 - 10.13.1. Approval of their remuneration, including fees, including ensuring that the level of fees is appropriate to enable an effective and high quality outsourced internal audit service to be delivered;
 - 10.13.2. Approval of their terms of engagement, including any engagement letter issued at the start of any renewal, and
 - 10.13.3. Annually assessing their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the internal auditor outsource provider as a whole, including the provision of any non-internal audit services.

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- 10.14. Consider and approve the scope of each engagement ensuring the proposed resourcing could be reasonably expected to meet the internal audit objectives contained in the outsourced provider's proposal.
- 10.15. Receive and consider feedback from the internal audit outsource provider to ensure the provider has adequate standing with management, is afforded appropriate logistical support and is free from undue management influence and any other restrictions.
- 10.16. Ensure the internal audit outsource provider has direct access to the chair of the Committee and is accountable to the Committee.
- 10.17. Meet with the internal audit outsource provider at least once a year without management being present.
- 10.18. Review, assess and agree the annual internal audit plan with the internal audit outsource provider, including any material changes to the audit plan and ensure it is aligned to the key risks of the Group's business.
- 10.19. Periodically review reports on the results from the internal audit outsource provider's work.
- 10.20. Review and monitor management's responsiveness to the findings and recommendations of the internal audit outsource provider.
- 10.21. Periodically consider alternative methods of delivering the Group's internal audit arrangements including (but not limited to): establishing a fully in-sourced Internal Audit function or a co-sourcing relationship with an outsourced internal audit provider.

External Auditor

- 10.22. Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, remuneration, re-appointment and removal of the Group's external auditor. If an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 10.23. Oversee the relationship with the external auditor including (but not limited to):
 - 10.23.1. Advising on a level of fees which is appropriate to enable an effective and high quality audit to be conducted;
 - 10.23.2. Approval of fees for non-audit services;
 - 10.23.3. Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 10.23.4. 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;
 - 10.23.5. Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity; and
 - 10.23.6. Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements.

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- 10.24. Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit.
- 10.25. Review and approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement and, having regard to the seniority, expertise and experience of the audit team.
- 10.26. Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - 10.26.1. A discussion of any major issues which arose during the audit:
 - 10.26.2. Any accounting and audit judgements;
 - 10.26.3. Levels of errors identified during the audit; and
 - 10.26.4. The effectiveness of the audit.
- 10.27. Review any representation letter(s) requested by the external auditor before they are signed by the Directors of the relevant Boards.
- 10.28. Review the management letter and management's response to the auditor's findings and recommendations.
- 10.29. Recommend to the Board that the external audit is put out to tender as often is as required by applicable law, rules, regulations and best practice. If the Committee recommends considering the selection of possible new auditors, initiate and oversee a fair tendering and selection process.
- 10.30. Develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

Whistleblowing

- 10.31. The committee shall review the adequacy and security of the Group's arrangement for its employees and contractors to raise concerns, in confidence about possible wrongdoing in financial reporting and other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

11. Reporting Responsibilities

- 11.1. The Committee will produce a report to shareholders on its activities to be included in the Group's annual report. The report should describe the work of the audit committee, including:
 - 11.1.1. the significant issues that the committee considered in relation to the financial statements and how these issues were addressed;
 - 11.1.2. an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;

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- 11.1.3. an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.
- 11.2. The Committee may make recommendations to the Board as it deems appropriate on any area within its remit.
- 11.3. 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:
 - 11.3.1. the significant issues that it considered in relation to the financial statements (required under paragraph 10.1) and how these were addressed;
 - 11.3.2. its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 11.3.3. any other issues on which the board has requested the Committee's opinion.
- 11.4. In compiling the reports referred to in 11.1 and 11.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

12. Ongoing support

The Committee shall

- 12.1. Have access to sufficient resources to carry out its duties, at the Group's expense, the Committee will be able to select, appoint and agree the terms of appointment of any advisers deemed appropriate by the Committee to provide advice to the Committee, including those used by management, provided no conflict of interest arises, and invite such advisers to attend meetings to assist the Committee.
- 12.2. The Committee must give due consideration to applicable laws and regulations, including the UK Corporate Governance Code, together with any relevant developments or implementation of new requirements as advised by the Company Secretariat.
- 12.3. 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.
- 12.4. Be responsible for oversight of the coordination of the internal and external auditors.
- 12.5. Oversee any investigation of activities which are within its terms of reference.
- 12.6. Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- 12.7. At least annually, review its 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.