

## **TERMS OF REFERENCE OF THE AUDIT COMMITTEE**

Reference to “The Committee” shall mean The Audit Committee.

Reference to “The Board” shall mean The Board of Directors.

### **1. Membership and attendance**

- 1.1. The Committee shall be appointed by The Board and shall comprise of a Chairman and at least two other members.
- 1.2. All members of The Committee shall be independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience. The Chairman of the BDH Board shall not be a member of the Committee.
- 1.3. The Board shall appoint the Chairman of The Committee who shall be an independent Non-Executive Director.
- 1.4. The Chairman of the BDH Board, Chief Executive, Finance Director, Chief Operating Officer, Compliance Director of Brewin Dolphin Limited and Head of Internal Audit shall normally attend meetings. Any relevant senior management may be asked by The Committee to attend meetings either regularly or by invitation, but the invitees have no right of attendance.
- 1.5. The Committee shall ask a representative of the external auditors to attend at least two meetings per annum. The Committee should have at least one meeting, or part thereof, with the external auditor without management being present.

### **2. Secretary**

- 2.1. The Company Secretary or their nominee shall act as the Secretary of The Committee.

### **3. Quorum**

- 3.1. A Quorum shall be two members.

### **4. Frequency of Meetings**

- 4.1. The Committee shall meet not less than twice a year and at such times as the Chairman of the Committee shall require.
- 4.2. Meetings will be arranged to tie in with the publication of the company’s financial statements.
- 4.3. Meetings can be requested by any of the Committee members or by the external or internal auditors if they consider one is necessary.

## **5. Notice of Meetings**

5.1. Meetings of The Committee shall be summoned by the Secretary of The Committee at the request of any member thereof.

## **6. Minutes of Meetings**

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

6.2. The Secretary should ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.3. Minutes of Committee meetings shall be circulated promptly to all members of The Committee and to the Chairman and all members of The Board.

## **7. Annual General Meeting**

7.1. The Chairman of The Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on The Committee's activities.

## **8. Duties**

The responsibilities of the committee shall be with regard to the parent company, major subsidiary undertakings and the Group as a whole, as appropriate:

### **8.1. Internal Control and Risk Assessment**

8.1.1. The Committee shall keep under review the effectiveness of the company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risks; and

8.1.2. Review and approve the statements to be included in the annual report concerning internal controls and risk management.

### **8.2. Internal Audit**

8.2.1. The Committee shall consider applications for the post of and approve the appointment of the head of the internal audit function; any dismissal of the post holder should be considered by The Committee.

8.2.2. The Committee shall review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.

8.2.3. The Committee shall consider and approve the terms of reference 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 Committee shall

also ensure the function has adequate standing and is free from management or other restrictions.

- 8.2.4. The Committee shall review and assess the annual internal audit plan.
- 8.2.5. The Committee shall review all reports on the Company from the internal auditors.
- 8.2.6. The Committee shall review and monitor management's responsiveness to the findings and recommendations of the internal auditor and 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 being carried out.
- 8.2.7. The Head of Internal Audit shall be given the right of direct access to the Chairman of The Committee.

### **8.3. External Audit**

- 8.3.1. The Committee shall consider and make recommendations to The Board as regards the appointment and re-appointment of the company's external auditors, and shall ensure that key partners within the appointed firm are rotated from time to time.
- 8.3.2. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required.
- 8.3.3. The Committee shall meet with the external auditors at least twice each year. Once at the planning stage, where the nature and scope of the audit will be considered, including steps taken by the auditor to respond to changes in regulatory and other requirements. And once post audit at the reporting stage.
- 8.3.4. The Committee shall ensure that any auditor's management letters and management's responses are reviewed.
- 8.3.5. To discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary), including but not limited to any accounting and audit judgements and levels of errors identified during the audit.
- 8.3.6. The Committee shall keep under review the relationship with external auditors including (but not limited to):
  - 8.3.6.1.the independence and objectivity of the external auditors;
  - 8.3.6.2.the consideration of audit fees which should be paid as well as any other fees which are payable to auditors in respect of non-audit activities; and

- 8.3.6.3. discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the company's internal auditing standards.
- 8.3.6.4. to oversee the process for selecting the external auditor and make appropriate recommendations through the Board to the shareholders to consider at the AGM
- 8.3.7. The Committee shall also review the effectiveness of the audit:
  - 8.3.7.1. review any representation letter(s) requested by the external auditor before they are signed by management;
  - 8.3.7.2. review the management letter and management's response to the auditor's findings and recommendations; and
  - 8.3.7.3. 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.

#### **8.4. Financial Statements**

- 8.4.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 8.4.2. The Committee shall keep under review the consistency of accounting policies both on a year to year basis and across the company/group.
- 8.4.3. Taking into account the view of the external auditor, the Committee shall review and challenge where necessary the actions and the judgements of management in relation to the company's financial statements before submission to the Board, paying particular attention to:
  - 8.4.3.1. accounting policies and practices, and any changes in them
  - 8.4.3.2. decisions requiring a major element of judgement
  - 8.4.3.3. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
  - 8.4.3.4. the clarity of disclosures
  - 8.4.3.5. significant adjustments resulting from the audit
  - 8.4.3.6. the going concern assumption
  - 8.4.3.7. compliance with accounting standards
  - 8.4.3.8. compliance with regulatory and other legal requirements
  - 8.4.3.9. reviewing the company's statement on internal control systems prior to endorsement by the Board and to review the policies and process for

identifying and assessing business risks and the management of those risks by the company;

- 8.4.3.10. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

## **8.5. Other Matters**

- 8.5.1. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required.
- 8.5.2. The Committee shall 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.
- 8.5.3. The Committee shall give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the UK Listing Authority's Listing Rules as appropriate.
- 8.5.4. The Committee will review the company's procedures for handling allegations from whistleblowers.
- 8.5.5. The Committee shall consider other topics, as defined by the Board.

## **9. Reporting procedures**

- 9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The secretary shall circulate the minutes of meetings of the committee to all members of the board, and the chairman of the committee or, as a minimum, another member of the committee, shall attend the board meeting at which the accounts are approved.
- 9.4. The committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the board.
- 9.5. The committee's duties and activities during the year shall be disclosed in the annual financials statements.

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## **10. Authority**

The Committee is authorised:

- 10.1. To seek any information it requires from any employee of the company in order to perform its duties;
- 10.2. To obtain, at the company's expense, outside legal or other professional advice on any matters within its terms of reference; and
- 10.3. To call any member of staff to be questioned at a meeting of The Committee as and when required; and
- 10.4. To investigate any activity within its terms of reference.