



# BREWIN DOLPHIN

HOLDINGS PLC

## 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 on the recommendation of the Nominations Committee 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. Any member of the Board, Director or 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 external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.6. Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director still meets the criteria for membership of the Committee.

### 2. Secretary

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

### 3. Quorum

The quorum necessary for the transaction of business shall be two members. 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.

### 4. Frequency of Meetings

- 4.1. The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle 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.



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## 5. Notice of Meetings

- 5.1. 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 of external or internal auditors if they consider 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 Committee, any other person required to attend and all other non-executive directors, no later than 3 working days before the date of the meeting. Supporting papers shall be sent to the Committee and to other attendees as appropriate, at the same time.

## 6. Minutes of Meetings

- 6.1. The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to the Chairman and all members of the Board unless it would be inappropriate to do so.

## 7. Annual General Meeting

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

- 8.1.1. The Committee shall keep under review the adequacy and effectiveness of the company's financial reporting and internal control policies; and
- 8.1.2. Review and approve the statements to be included in the annual report concerning internal controls.

### 8.2. Internal Audit

- 8.2.1. The Committee shall approve the appointment and the removal of the Head of the internal audit function.
- 8.2.2. The Committee shall monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system.



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- 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 and ensure that it is consistent with the scope of the audit engagement.
- 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. Regulation**

- 8.3.1. The Committee shall approve the appointment of the Head of the Regulation and Risk function; any dismissal of the post holder should be considered by The Committee.
- 8.3.2. The Committee shall consider and approve the terms of reference of the Regulation and Risk 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.
- 8.3.3. The Head of Regulation and Risk shall be given the right of direct access to the Chairman of the Committee.
- 8.3.4. The Committee shall review regular reports from the Head of Regulation and Risk and keep under review the adequacy and effectiveness of the Company's Regulation function.

## **8.4. Whistleblowing and Fraud**

The Committee shall:

- 8.4.1. review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;



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- 8.4.2. review the company's procedures for detecting fraud;
- 8.4.3. review the company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.4.4. review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the company's anti-money laundering systems and controls;

## 8.5. External Audit

- 8.5.1. The Committee shall 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 the company's external auditor.
- 8.5.2. 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.
- 8.5.3. The Committee shall meet regularly with the external auditors, including 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. 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.
- 8.5.4. The Committee shall ensure that any auditor's management letters and management's responses are reviewed.
- 8.5.5. 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, levels of errors identified during the audit and the effectiveness of the audit.
- 8.5.6. The Committee shall review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement.
- 8.5.7. The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to the following
  - 8.5.7.1. a discussion of any major issues which arose during the audit;
  - 8.5.7.2. any accounting and audit judgements
  - 8.5.7.3. levels of errors identified during the audit; and
  - 8.5.7.4. the effectiveness of the audit;



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8.5.8. The Committee shall oversee the relationship with the external auditors including (but not limited to):

8.5.8.1. 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;

8.5.8.2. 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 that the level of fees is appropriate to enable an adequate audit to be conducted;

8.5.8.3. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.

8.5.8.4. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);

8.5.8.5. agreeing with the board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy.

8.5.8.6. discussions with the external auditors concerning such issues as Regulation and Risk with accounting standards and any proposals which the external auditors have made vis-à-vis the company's internal auditing standards.

8.5.8.7. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.

8.5.8.8. assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.

8.5.8.9. seeking to ensure co-ordination with the activities of the internal audit function

8.5.9. The Committee shall also:

8.5.9.1. review any representation letter(s) requested by the external auditor before they are signed by management;

8.5.9.2. review the management letter and management's response to the auditor's findings and recommendations; and

8.5.9.3. 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.



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## 8.6. Financial Reporting

- 8.6.1. 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.
- 8.6.2. The Committee shall keep under review the consistency of accounting policies both on a year to year basis and across the company/group.
- 8.6.3. 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:
  - 8.6.3.1. accounting policies and practices, and any changes in them
  - 8.6.3.2. decisions requiring a major element of judgement
  - 8.6.3.3. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed
  - 8.6.3.4. the clarity of disclosures and the context in which statements are made
  - 8.6.3.5. significant adjustments resulting from the audit
  - 8.6.3.6. the going concern assumption
  - 8.6.3.7. compliance with accounting standards
  - 8.6.3.8. compliance with regulatory and other legal requirements
  - 8.6.3.9. 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;
  - 8.6.3.10. 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).

## 8.7. Other Matters

- 8.7.1. 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.
- 8.7.2. 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.
- 8.7.3. The Committee shall give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 8.7.4. The Committee will review the company's procedures for handling allegations from whistleblowers and for detecting fraud.
- 8.7.5. The Committee shall consider other topics, as defined by the Board.



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## 9. Reporting Responsibilities

- 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 shall produce a report on its duties and activities during the year to be included in the annual financials statements.
- 9.6. The Committee shall maintain an appropriate relationship with the Risk Committee.

## 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.
- 10.5. To have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

Approved by the Board  
Brewin Dolphin Holdings PLC  
October 2011