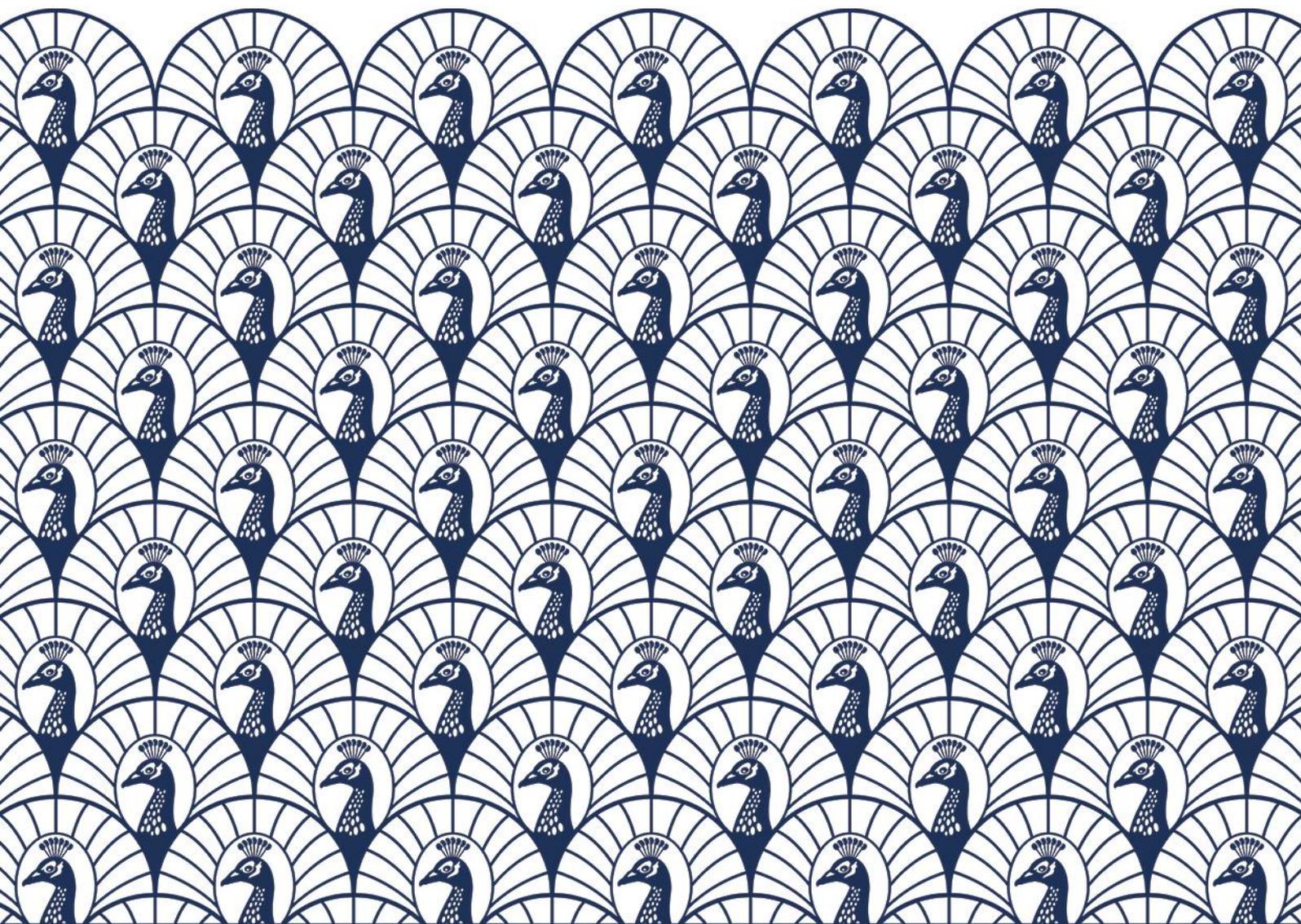




ARBUTHNOT LATHAM

Bankers since 1833



## Audit Committee Terms of Reference

Approved by the AL Board – 16th September 2020

(November 2020 and January 2021 Updates)

## Audit Committee Terms of Reference

<b>Chairperson</b>	<b>Richard Gabbertas, Chair of the Audit Committee (SMF11), Independent Non-Executive Director</b>
<b>Secretary</b>	Nick Jennings, Company Secretary
<b>Members</b>	Paul Marrow, Chair of Risk Committee (SMF 10), Independent Non-Executive Director Angela Knight, Independent Non-Executive Director Sir Michael Peat, Independent Non-Executive Director
<b>Invitees</b>	As decided by the Chair of the Committee but to include the Head of Internal Audit and, from time to time, the external auditors.
<b>Attendees</b>	Sir Henry Angest, Chairman James Cobb, Finance Director and Deputy Chief Executive Dan Dagg, Chief Operating Officer Stephen Fletcher, Deputy Chief Executive Stephen Kelly, Chief Risk Officer Andrew Salmon, Chief Executive Nicole Smith, General Counsel
<b>Quorum</b>	Three members
<b>Meetings</b>	The Committee will normally meet at least four times each year. The Company's internal and external auditors shall have a right of direct access to the Chairman of the Committee at all times.  At least once per year the Chairman will invite the external auditors and the internal auditors to meet the Committee without any member of the Executive being present.
<b>Delegated Authority</b>	The Board of Arbuthnot Latham & Co., Limited ("AL") authorises the Committee, within the scope of its responsibilities, to: <ul style="list-style-type: none"> <li>Obtain any information it requires from any employee or external party;</li> </ul>

Registered in England and Wales No. 819519. Arbuthnot Latham & Co., Limited is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Arbuthnot Latham & Co., Limited is on the Financial Services Register under Firm Reference Number 143336. Arbuthnot Latham & Co., Limited DIFC Branch is regulated by the Dubai Financial Services Authority.

This document is confidential to Arbuthnot Latham & Co., Limited and must not be disclosed outside the Arbuthnot Banking Group PLC group of companies.

	<ul style="list-style-type: none"> <li>• Conduct or oversee any investigation into matters within its Terms of Reference;</li> <li>• Appoint, approve compensation for and oversee the external auditors;</li> <li>• Be responsible for the coordination of the work of the internal auditors and the external auditors;</li> <li>• Resolve any disagreements between external / internal auditors and management;</li> <li>• Invite tenders for the provision of audit services and decide the frequency of any such invitation to tender;</li> <li>• Approve any provision of audit services and in addition any significant provision of non-statutory audit services by the external auditor. In the event of any doubt about whether the provision of non-audit services by the external auditor is significant the matter should be referred to the Committee;</li> <li>• Obtain outside legal or other professional advice, subject to reasonable costs; and</li> <li>• Ensure the attendance of company officers at meetings as appropriate.</li> </ul> <p>The Committee will keep the Company’s Chairman (and Chief Executive if not present at the meeting) fully informed of significant issues. The authority of the Audit Committee applies to AL and its subsidiaries from time to time (together the “AL Group”).</p>
<p><b>Main Responsibilities</b></p>	<p>The purpose of the Committee is to oversee, on behalf of the AL Board, the financial reporting process and external audit thereof, the appropriateness and effectiveness of systems and controls and the work of Internal Audit in reviewing the AL Group’s risk management, governance and systems of internal control.</p> <p>Its responsibilities are to:</p> <ul style="list-style-type: none"> <li>• Review arrangements established by management for compliance with financial reporting requirements;</li> <li>• Monitor the integrity of the financial statements and any formal announcements relating to AL’s financial performance, and reviewing significant financial reporting judgements contained in them, focusing in particular on: <ul style="list-style-type: none"> <li>- critical accounting policies and practices, and any changes to them;</li> <li>- major judgmental or subjective areas;</li> <li>- significant adjustments resulting from the external audit;</li> <li>- the going concern assumption;</li> </ul> </li> </ul>

- compliance with accounting standards and company law;
- the clarity of disclosures; and
- whether the annual report and accounts taken as a whole are fair, balanced and understandable, and provide the information necessary for shareholders to assess AL's position and performance, business model and strategy.
- Oversee the work of AL's external auditor, specifically to:
  - review and approve the terms of their appointment, proposed audit scope and approach;
  - review and monitor the auditor's independence, objectivity and effectiveness;
  - approve the external audit plan and oversee progress against it;
  - review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
  - ensure there is no restriction on the scope of the statutory audit, assessing the risks to the quality and effectiveness of the financial reporting process;
  - make recommendations on the auditor's appointment, remuneration and dismissal;
  - approve the auditors' remuneration;
  - review the activities, findings (including accounting errors identified during the external audit), conclusions and recommendations of the external auditors;
  - obtain feedback about the conduct of the external audit from key people involved;
  - develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required; and
  - conduct the tender process, as and when required.
- Monitor and review the effectiveness of Internal Audit in relation to the AL Group, in particular to:
  - recommend the appointment and termination of employment of the Head of Internal Audit;
  - provide feedback to the Audit Committee in connection with the review by the Chairman of the Audit Committee of the performance of the Head of Internal Audit and in

particular provide feedback on the independence, objectivity and tenure of the Head of Internal Audit;

- consider and approve the criteria that govern the compensation of the individuals performing the Internal Audit function such that the compensation of the Head of Internal Audit and other Internal Audit staff is structured in a manner such that it avoids conflicts of interest, does not impair their independence and objectivity and is not directly or exclusively linked to the short term performance of the business;
- review and assess, at least annually, the scope and nature of the work of the internal audit function as set out in its Charter;
- ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- ensure Internal Audit faces no restrictions or limitations to conducting its work and, to this end, has unrestricted access to all personnel and information;
- meet separately at least once per year with the Head of Internal Audit to discuss any matters that should be privately discussed;
- at least every five years, arrange an independent review of the Internal Audit function in accordance with the International Professional Practice Framework (IPPF) of the Institute of Internal Auditors;
- approve the planned internal audit risk based programme of work and any major changes thereto;
- approve the Internal Audit budgets;
- review and approve any outsourcing arrangements and costs thereof;
- receive and consider activity reports from the Internal Auditors explaining:
  - progress of audit work against plan;
  - the nature and extent of any unscheduled work undertaken;
  - significant findings from audit work undertaken; and
  - the status of audit recommendations, in particular those which have not been implemented in accordance with agreed timescales;

- Liaise with the audit committee of the Arbutnot Banking Group (ABG) Board, in particular to:
  - provide any relevant papers to the audit committee of the ABG Board;
  - keep the ABG Group board updated and informed with regard to the Company's financial statements; and
  - report any concerns identified by the Committee which have implications for ABG or any member of its group in a timely manner.
- Commission where appropriate, on occasion audit assignments to be conducted on its behalf.
- Note procedures for detecting and preventing fraud and bribery and receive reports on non-compliance.
- Review whistleblowing arrangements for employees to raise concerns in confidence.
- Review, as necessary, arrangements involving an outsourcing of significant operations.
- Review its own terms of reference and its effectiveness on an annual basis, and recommend any changes to the Board.
- Report to the Board on how it has discharged its responsibilities.
- Review the CASS Breach Report and Management Letter Points arising from the independent external audit of CASS compliance, discussing conclusions with management and the external auditors, and noting management's Letter of Representation in respect of the audit

Where such monitoring and review activities reveal cause for concern, or scope for improvement, the Committee should make recommendation to the Board on action needed to address the issue or to make improvements.

The Audit Committee must have due regard to proportionality and cost effectiveness of all actions and measures proposed at all times.