

**Charles Stanley Group plc (“CSG”)  
Charles Stanley & Co. Limited (“CSC”)  
(together, the “Companies”)**

**Terms of reference for the Joint Audit Committee**

**1. Purpose**

The Boards of the Companies have established an Audit Committee, constituted via this Joint Audit Committee (the “**Committee**”). The responsibilities of the Committee as they relate to CSG and CSC respectively are set out in sections 9 and 10 below.

**2. Membership**

2.1 There shall be at least three members, including one member from the Joint Risk Committee. All members of the Committee shall be Independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the company operates. The Chair of CSG should not be a Committee member.

2.2 The Committee Chair should be an Independent Non-Executive Director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chair of either CSG or CSC should not chair the Committee.

2.3 Only members of the Committee have the right to attend Committee meetings. At the discretion of the Chair and at their invitation, non-members may attend all or part of any meeting where their attendance is necessary to facilitate improved debate and decision making. Subject to the discretion of the Chair, any non-member invited to attend a meeting shall remain at the meeting only for the duration of the relevant agenda item.

2.4 Appointments to the Committee shall be recommended by the CSC and CSG Nomination Committees in consultation with the Committee Chair and approved by the CSG Board.

2.5 Appointments to the Committee shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.

2.6 The CSG Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**3. Quorum**

The quorum for any meeting shall be two members.

**4. Secretary**

The Group Company Secretary, or his or her nominee, shall act as the secretary of the Committee (the “**Secretary**”) and will ensure that the Committee receives information in a timely manner to enable full and proper consideration to be given to the issues.

## **5. Frequency of meetings**

- 5.1 The Committee shall meet at least four times per annum at appropriate intervals in the financial reporting and audit cycle and on an ad hoc basis as required.
- 5.2 The Committee Chair will maintain key dialogue with key individuals involved in the Companies' governance including the Chair of the Companies, the Chief Executive Officer, the Chief Financial Officer, the External Audit Partner and the Head of Internal Audit.
- 5.3 Meetings may be conducted by telephone or video conference and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.

## **6. Notice of meetings**

- 6.1 Meetings of the Committee shall be convened by the Secretary at the request of the Committee Chair, any Committee member or the External Audit Partner or Head of Internal Audit.
- 6.2 Unless otherwise agreed, and except where a situation of urgency otherwise requires, wherever practicable, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each Committee member no later than five business days before the date of the meeting.

## **7. Minutes of meetings**

- 7.1 The Secretary shall minute the proceedings and all decisions made at the meeting, including recording the names of those persons present and in attendance. The Secretary shall ensure that the minutes of meetings are formally approved by the Committee at the following meeting.
- 7.2 The Secretary shall circulate the minutes of meetings of the Committee to all members plus other individuals as agreed by the Committee.

## **8. Engagement with shareholders**

The Committee Chair should attend the Annual General Meeting of CSG to answer shareholder questions on the Committee's activities as they relate to CSG. In addition the Committee Chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

## **9. Scope of responsibility applicable to CSG**

The Committee shall carry out the following duties in relation to CSG:

### **Group financial reporting**

- 9.1 Monitoring the integrity of the consolidated financial and narrative reporting, including the annual and half-yearly reports of CSG, any other formal announcement relating to its financial performance, reviewing and reporting to the CSG Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the Group External Auditor.

- 9.2 Reviewing any changes to significant accounting policies annually and applicable to CSG and its subsidiaries (the “**Group**”).
- 9.3 Ensuring clarity and completeness of disclosure in CSG financial reports and the context in which statements are made.

#### **Narrative reporting**

- 9.4 Reviewing the content of CSG’s Annual Report and Accounts and advising the CSG Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess CSG’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.
- 9.5 Approving the Audit Committee Report for inclusion in CSG’s Annual Report and Accounts.

#### **Group internal controls and risk management**

- 9.6 Keeping under review the adequacy and effectiveness of the Group’s risk management framework and internal control systems in conjunction with the Joint Risk Committee.
- 9.7 Reviewing and approving the statements to be included in CSG’s Annual Report and Accounts concerning internal control, risk management, including the assessment of principal risks and emerging risks, and the viability statement.

#### **Whistleblowing**

- 9.8 Reviewing the robustness and adequacy (including the independence, autonomy and effectiveness) of the Group’s whistleblowing policies and procedures, ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

#### **Internal Audit**

- 9.9 Approving the appointment or termination of the Head of Internal Audit.
- 9.10 Reviewing and approving the role and mandate of internal audit, monitoring and reviewing the effectiveness of its work, including approving the Internal Audit Charter and ensuring the Internal Audit Function has the necessary resources and access to information to enable it to fulfil its mandate.
- 9.11 Approving the annual Internal Audit plan to ensure it is aligned to the key risks of the business, and receiving regular reports on work carried out.
- 9.12 Reviewing and monitoring Management’s responsiveness to the Internal Auditor’s findings and recommendations.
- 9.13 Monitoring and reviewing the effectiveness of the Internal Audit Function, including the performance of the Head of Internal Audit.

## **Group External Audit**

- 9.14 Considering the appointment, re-appointment and removal of the Group's External Auditor, and making recommendations to the CSG Board to be put to CSG shareholders.
- 9.15 Ensuring that at least once every ten years the audit services contract is put out to tender and in respect of such tender, overseeing the selection process and ensuring all tender firms have access to necessary information throughout the process.
- 9.16 Owning the relationship with the Group External Auditor, including but not limited to:
  - 9.17.1 approving the terms of their engagement;
  - 9.17.2 making recommendations on their remuneration, covering fees for audit and non-audit services;
  - 9.17.3 annually assessing the independence and objectivity of the Group External Auditor taking into account relevant UK professional and regulatory requirements and the relationship with the Group External Auditor as a whole;
  - 9.17.4 satisfying itself that there are no relationships between the Group External Auditor and the Group (other than in the ordinary course of business) which could adversely affect the Group External Auditor's independence and objectivity;
  - 9.17.5 agreeing with the CSG Board a policy on the employment of former employees of the Group External Auditor and monitoring the implementation of this policy;
  - 9.17.6 monitoring the Group External Auditor's compliance with relevant ethical and professional guidance on the rotation of Audit Partner, the level of fees paid by Group compared to the overall fee income of the firm, office and Partner and other related requirements;
  - 9.17.7 assessing annually the qualifications, expertise and resources of the Group External Auditor and the effectiveness of the audit process, which shall include a report from the Group External Auditor on their own internal quality procedure;
  - 9.17.8 seeking to ensure coordination with the activities of the Internal Audit Function; and
  - 9.17.9 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their Group External Auditor from the market in that evaluation.
- 9.17 Meeting regularly with the Group External Auditor and at least once a year, without Management being present, to discuss the Group External Auditor's remit and any issues arising from the audit.
- 9.18 Reviewing and approval of the annual Group External Audit plan.
- 9.19 Reviewing the findings of the audit with the Group External Auditor, including but not limited to the following:
  - 9.19.1 a discussion of any major issues which arose during the audit;
  - 9.19.2 key accounting and audit judgements;
  - 9.19.3 levels of errors identified during the audit; and
  - 9.19.4 the effectiveness of the audit process.
- 9.20 Reviewing any representation letter(s) requested by the Group External Auditor before they are signed by Management.

- 9.21 Reviewing the Management letter and Management's response to the Group External Auditor's findings and recommendations.
- 9.22 Developing and implementing a policy on the supply of non-audit services by the Group External Auditor, ensuring there is prior approval of non-audit services, to avoid any threat to auditor objectivity and independence, taking into account any relevant regulations and ethical guidance on the matter, and reporting to the board on any improvement or action required.

## **10. Scope of responsibility applicable to CSC**

The Committee shall carry out the following duties in relation to CSC:

### **Financial reporting**

- 10.1 Monitoring the integrity of the financial reporting of CSC, reviewing and reporting to the CSC Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the Group External Auditor.
- 10.2 Reviewing any changes to significant accounting policies annually.
- 10.3 Ensuring clarity and completeness of disclosure in CSC financial reports and the context in which statements are made.
- 10.4 Approving the content of the financial statements of CSC and recommending their approval to the Board.

### **Internal controls and risk management**

- 10.5 Keeping under review the adequacy and effectiveness of the risk management framework and internal control systems in conjunction with the Joint Risk Committee.

### **Whistleblowing**

- 10.6 Reviewing the adequacy (including the independence, autonomy and effectiveness) of the Group's whistleblowing policies and procedures, ensuring that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

### **Internal Audit**

- 10.7 Reviewing and approving the Internal Audit Charter and ensuring the Internal Audit Function has the necessary resources and access to information to enable it to fulfil its mandate.
- 10.8 Approving the annual Internal Audit plan to ensure it is aligned to the key risks of the business, and receiving regular reports on work carried out.
- 10.9 Reviewing and monitoring Management's responsiveness to the Internal Auditor's findings and recommendations.

## **External Audit**

- 10.10 Reviewing and approval of the annual External Audit plan.
- 10.11 Reviewing the findings of the audit with the Group External Auditor including but not limited to the following:
  - 10.11.1 a discussion of any major issues which arose during the audit;
  - 10.11.2 key accounting and audit judgements;
  - 10.11.3 levels of errors identified during the audit; and
  - 10.11.4 the effectiveness of the audit process.
- 10.12 Reviewing any representation letter(s) requested by the Group External Auditor before they are signed by Management.
- 10.13 Reviewing the Management Letter and Management's response to the Group External Auditor's findings and recommendations.

## **11. Reporting responsibilities**

- 11.1 The Committee Chair shall report formally and separately to the CSG and CSC Boards on its proceedings after each meeting on all matters within its duties and responsibilities, including how it has discharged its responsibilities. The report shall include:
  - 11.1.1 the significant issues that it considered in relation to the financial control environment and how these were addressed;
  - 11.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the Group External Auditor; and
  - 11.1.3 any other issues on which the Boards of the Companies have requested the Committee's opinion.
- 11.2 The Committee shall make its minutes available to the Boards of the Companies.
- 11.3 The Committee shall make whatever recommendations to the Boards of the Companies it deems appropriate on any area within its remit where action or improvement is needed.
- 11.4 The Committee shall compile a report on its activities to be included in CSG's Annual Report and Accounts including:
  - 11.4.1 an explanation of how the Committee has addressed the effectiveness of the External Audit process;
  - 11.4.2 the significant issues that the Committee considered in relation to the financial statements of CSG and how these issues were addressed, having regard to matters communicated to it by the External Auditor; and
  - 11.4.3 all other information requirements set out in the UK Corporate Governance Code.
- 11.5 The Committee shall make its terms of reference available to CSG shareholders via the CSG website.

## **12. Authority**

- 12.1 The Committee shall be authorised to seek any information it requires from any Group employee in order to perform its duties and call any employee to be questioned at a Committee meeting as and when required.
- 12.2 The Committee shall be authorised to obtain, at the Companies' expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.
- 12.3 The Committee shall be authorised to have the right to publish in the CSG Annual Report, details of any issues that cannot be resolved between the Committee and the CSG Board.
- 12.4 The Committee will liaise regularly with the Joint Risk Committee and where there is perceived overlap of responsibilities between the Committee and the Joint Risk Committee, the respective committee Chair shall have discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the terms of reference of the Committee or the Joint Risk Committee will be deemed to have been fulfilled providing it is dealt with by either the Committee or the Joint Risk Committee. The Committee shall liaise with other Board level committees as appropriate.

## **13. Other**

- 13.1 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretarial Department for assistance as required.
- 13.2 Each member will receive an induction upon appointment to the Committee. The level of induction needed will be considered by the Committee Chair and the Group Company Secretary. The Committee will receive training on an ongoing basis.
- 13.3 The Committee shall give due consideration to laws and regulations, and in respect of CSG, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate.
- 13.4 The Committee shall undertake a formal and rigorous annual review of its own performance and review its terms of reference at least annually, to ensure it is operating at maximum effectiveness. Any material changes to the Committee's terms of reference must be approved by the Boards of the Companies.

**Approved by the Board on 27 May 2020.**