

**Rathbone Brothers Plc**  
**Audit Committee**  
**Terms of reference**

These terms of reference were approved by the committee on 17 July 2019.

**1. Membership**

- 1.1 The committee shall comprise at least three members. Membership shall include at least one member of the risk committee. Members of the committee shall be appointed by the board, on the recommendation of the nomination committee in consultation with the chairman of the audit committee.
- 1.2 All members of the committee shall be independent non-executive directors with at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. The committee as a whole shall have competence relevant to the financial services industry. The chairman of the board shall not be a member of the committee.
- 1.3 Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the board, chief executive, finance director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditor will be invited to attend meetings of the committee on a regular basis.
- 1.5 Appointments to the committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the committee.
- 1.6 The board shall appoint the committee chairman who shall be an independent non-executive director. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

**2. Secretary**

The company secretary or his or her 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**

The committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

Outside of the formal meeting programme, the committee chairman, and to a lesser extent the other committee members, will maintain a dialogue with key individuals involved in the company's governance, including the board chairman, the chief executive, the finance director, the external audit lead partner and the head of internal audit.

## **5. Notice of meetings**

- 5.1 Meetings of the committee shall be called by the secretary of the committee at the request of any of its members or at the request of the external or internal auditor 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 five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.
- 5.3 Notices, agenda and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## **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 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the board unless it would be inappropriate to do so.

## **7. Annual General Meeting**

The committee chairman should attend the annual general meeting to answer shareholder questions on the committee's activities.

## **8. Duties**

The committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### **8.1 Financial reporting**

- 8.1.1 The committee shall monitor the integrity of the financial statements of the company, including its annual, half-yearly reports, quarterly interim management statements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 8.1.2 In particular, the committee shall review and challenge where necessary:
  - 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group
  - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible
  - 8.1.2.3 whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor

- 8.1.2.4 the clarity of disclosure in the company's financial reports and the context in which statements are made to ensure that the information is fair, balanced and understandable
  - 8.1.2.5 the appropriateness of the adoption of the going concern basis of accounting used in preparing the annual and full year financial statements
  - 8.1.2.6 the viability statement setting out the longer term prospects of the company required by the UK Corporate Governance Code (the "Code")
  - 8.1.2.7 all material information presented with the financial statements.
- 8.1.3 The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

## **8.2 Narrative reporting**

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 company'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.

## **8.3 Whistleblowing**

The committee shall 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.

## **8.4 Internal audit**

The committee shall:

- 8.4.1 monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system
- 8.4.2 approve the appointment and removal of the head of the internal audit function
- 8.4.3 consider and approve the remit 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
- 8.4.4 review and assess the annual internal audit plan to ensure it is aligned to the key risks of the business
- 8.4.5 review reports addressed to the committee from the internal auditor

- 8.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor, review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function
- 8.4.7 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 carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the committee, monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system and the work of compliance, finance and the external auditor
- 8.4.8 carry out an annual assessment of the effectiveness of the internal audit function, and as part of that assessment:
  - 8.4.8.1 meet with the head of the internal audit function without the presence of management to discuss the effectiveness of the function
  - 8.4.8.2 review and assess the annual internal audit work plan
  - 8.4.8.3 receive a report on the results of the internal auditor's work
  - 8.4.8.4 determine whether it is satisfied that the quality, experience and expertise of the internal audit function is appropriate for the business
  - 8.4.8.5 review the actions by management to implement the recommendations of the internal audit function and to support the effective working of the internal audit function.

## **8.5 External audit**

The committee shall:

- 8.5.1 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. The committee shall oversee the selection process for a new auditor and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required. Develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process
- 8.5.2 oversee the relationship with the external auditor including (but not limited to):
  - 8.5.2.1 approve their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high quality audit to be conducted
  - 8.5.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
  - 8.5.2.3 assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services

- 8.5.2.4 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)
- 8.5.2.5 agreeing with the board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy
- 8.5.2.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements
- 8.5.2.7 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures
- 8.5.2.8 seeking to ensure co-ordination with the activities of the internal audit function
- 8.5.3 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 the auditor's remit and any issues arising from the audit
- 8.5.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement
- 8.5.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following
  - 8.5.5.1 a discussion of any major issues which arose during the audit
  - 8.5.5.2 any accounting and audit judgements
  - 8.5.5.3 levels of errors identified during the audit
  - 8.5.5.4 the effectiveness of the audit
  - 8.5.5.5 the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the committee.

The committee shall also

- 8.5.6 review any representation letter(s) requested by the external auditor before they are signed by management
- 8.5.7 review the management letter and management's response to the auditor's findings and recommendations
- 8.5.8 review draft reports to regulators
- 8.5.9 review and recommend to the RIM Board for approval, the annual ISAE 3402 report on the operations and custody controls system

8.5.10 develop and recommend to the board the company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:

- threats to the independence and objectivity of the external auditor and any safeguards in place;
- the nature of the non-audit services;
- whether the external audit firm is the most suitable supplier of the non-audit service;
- the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
- the criteria governing compensation.

## **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 and how it has discharged those responsibilities. The report shall include:

9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed;

9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.5.2.7), 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; and

9.1.3 any other issues on which the board has requested the committee's opinion

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 committee shall produce a report on its activities to be included in the company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the Code.

9.4 In compiling the reports referred to in 9.1 and 9.3, 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.

## **10. Other matters**

The committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required
- 10.2 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
- 10.3 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 Guidance and Transparency Rules and any other applicable Rules, as appropriate
- 10.4 oversee the co-ordination of the internal and external auditors
- 10.5 oversee any investigation of activities which are within its terms of reference
- 10.6 arrange for periodic reviews of its own performance and, 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.

## **11. Authority**

The committee is authorised to:

- 11.1 seek any information it requires from any employee of the company in order to perform its duties
- 11.2 obtain, at the company's expense, outside legal or other professional advice on any matter within its terms of reference
- 11.3 call any employee to be questioned at a meeting of the committee as and when required
- 11.4 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.