

## COLLINS STEWART PLC

### Audit Committee Terms of Reference

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#### **1 Purpose**

- 1.1 The Committee is appointed by the Board of Directors to assist the Board in its oversight of (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the Company's system of risk management and internal controls, and (iv) the performance and independence of the Company's external and internal auditors.

#### **2 Membership**

- 2.1 The Committee shall be appointed by the Board and shall comprise independent non-executive directors of the Company. The Committee shall consist of not less than three members. At least one member should have recent, relevant financial experience. A quorum shall be two members.
- 2.2 The chairman of the Committee shall be appointed from time to time by the Board from amongst the independent non-executive directors.
- 2.3 The members of the Committee will be identified in the Company's statutory accounts.
- 2.4 The Company Secretary shall be the Secretary of the Committee.

#### **3 Attendance at Meetings**

- 3.1 Only Audit Committee members shall be entitled to attend Audit Committee meetings.
- 3.2 The Chairman, Chief Executive, Group Finance Director, other directors, representatives of internal audit, representatives of the external auditors or other persons shall attend meetings at the invitation of the Committee.
- 3.3 At least once a year the Committee shall meet with the external auditors and internal auditors without executive Board members present.

#### **4 Frequency of meetings**

- 4.1 Meetings shall be held not less than four times a year. Any member of the Committee, the external auditors or internal auditors may request a meeting if they consider that one is necessary.

#### **5 Authority**

- 5.1 The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

5.2 The Committee is authorised by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## **6 Duties**

### **6.1 Financial reporting**

6.1.1 to monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcement relating to its financial performance, including, inter alia:

- (i) any changes in accounting policies and practices;
- (ii) significant financial reporting judgements;
- (iii) significant adjustments resulting from the audit;
- (iv) the going concern assumption;
- (v) compliance with accounting standards;
- (vi) compliance with stock exchange and legal requirements;
- (vii) all material information presented with the financial statements, such as the business review and the corporate governance statement;
- (viii) compliance with the Combined Code on Corporate Governance.

### **6.2 External Audit**

6.2.1 to oversee the Company's relations with the external auditor and to make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the audit fee and terms of engagement of the external auditor;

6.2.2 to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

6.2.3 to assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually;

6.2.4 to discuss with the external auditor, before the audit commences, the nature and scope of the audit;

- 6.2.5 to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
- 6.2.6 to review the results of the audit and to assess, at the end of the audit cycle, the effectiveness of the audit process, in particular:
- (i) to discuss problems and reservations arising from the interim and final audits and any matters the auditors may wish to discuss (in the absence of management where necessary); and
  - (ii) to review the external auditor's management letter and management's response;

### **6.3 Internal Audit**

- 6.3.1 to monitor and review the effectiveness of the internal audit activities, including, inter alia, reviewing the annual internal audit work plan/programme and its results, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced, has freedom to act and has appropriate standing within the Company;
- 6.3.2 to ensure that the internal auditor has direct access to the Board chairman and the Audit Committee;
- 6.3.3 to consider the major findings of internal investigations and management's response;

### **6.4 Compliance with Legal and Regulatory Requirements**

- 6.4.1 to review legal, disclosure or other matters that may have a material impact on the Company's financial position, financial statements or reputation;
- 6.4.2 to review reports from the Company's Head of Compliance or management with respect to the Company's policies and procedures regarding compliance with applicable legal and regulatory requirements;
- 6.4.3 to review the Company's procedures for detecting fraud and whistleblowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that such arrangements allow for the proportionate and independent investigation of such matters and for appropriate follow-up action;

### **6.5 Risk Management and Internal Control**

- 6.5.1 to review the Company's systems of internal control (including financial, operational and compliance controls and risk management systems) and from time to time to make recommendations to ensure the maintenance of a sound system of internal control;
- 6.5.2 to review the Company's guidelines and policies that govern the process for risk assessment and risk management;
- 6.5.3 to review the operation of the Risk Committee in assisting the Board with its oversight of the management and assessment of risk.

6.5.4 to review the major risk exposures of the Company and the steps management has taken to monitor and control such risks.

## **7 Reporting Procedures**

7.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board unless a conflict of interest exists. The Chairman of the committee shall attend each AGM and shall be available to answer questions raised by shareholders at the AGM.

7.2 The Audit Committee shall annually review its terms of reference, constitution and its own effectiveness and recommend any necessary changes to the Board for approval.