



RSM UK

HOLDINGS LIMITED

TERMS OF REFERENCE FOR
THE AUDIT COMMITTEE

1. THE ROLE OF THE COMMITTEE

- 1.1** The role of the committee is to:
- a)** assist the board in its oversight of the integrity of the Group's¹ financial reporting, including supporting the board in meeting its responsibilities regarding financial statements and the financial reporting systems and internal controls; and
 - b)** monitor, on behalf of the board, the effectiveness and objectivity of the external auditors.

2. MEMBERSHIP

- 2.1** The committee shall be appointed by the board and consist of at least three members.
- 2.2** The chair of the board shall not be a member of the committee.
- 2.3** The chair of the committee shall be a non-executive director to the board (a 'NED') nominated by the chair of the board and approved by the board.
- 2.4** The committee shall include at least one member with recent and relevant financial reporting and audit experience.
- 2.5** The committee will comprise: (i) at least two NEDs and (ii) no more than two partners² who do not hold a senior management role in the Group (as determined by the Nominations Committee of the Company). The chair of the committee shall have the deciding vote (see 5.5).

2.6 The chief financial officer and others may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.7 Unless otherwise determined by the board, the duration of appointment shall be three years, which may be extended by the board for one additional period of three years.

2.8 Members may be removed from the committee at any time before the end of their term by the board.

2.9 In the absence of the chair of the committee, the remaining members present shall elect one of themselves to chair the meeting.

3. SECRETARY

- 3.1** The secretary to the committee shall be nominated by the chair of the board and approved by the board.
- 3.2** The secretary will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. QUORUM

- 4.1** The quorum necessary for the transaction of business shall be two members, one must be a NED, the other a member who is not a NED.
- 4.2** In the event of difficulty in forming a quorum, board members, except the CEO of the RSM UK Group and CFO, who are not members of the committee may be co-opted as members for individual meetings.

¹ Group means RSM UK Holdings Limited and all companies, limited liability partnerships and other entities in which RSM UK Holdings Limited has a direct or indirect proprietary interest.

² Partner' means a member of any RSM UK limited liability partnership.

5. MEETINGS

- 5.1** The committee shall meet at least three times per annum at appropriate times in the reporting and audit cycle and at such other times as it sees fit.
- 5.2** The firm's external auditors will be invited to attend meetings of the committee as and when appropriate and necessary.
- 5.3** 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 auditors if they consider it necessary.
- 5.4** 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 and any other person required to attend in advance of the meeting (in sufficient time to enable consideration of the issues). Supporting papers will be made available in electronic form to committee members and to other attendees as appropriate, at the same time.
- 5.5** Resolutions shall be passed by simple majority of members present. In the event of a tie, the chair of the committee shall have the deciding vote.
- 5.6** Any resolution evidenced in writing or by electronic or voice recognition means, by such member or members of the committee as would have been necessary to pass such resolution had all members of the committee been present at a meeting to consider such resolution, shall be valid and effective as if it had been passed at a meeting of the committee duly convened and held, provided that notice and details of the proposed resolution have been given in advance to each member of the committee.
- 5.7** The committee shall meet with the external auditors at least once a year without management present.

6. MINUTES OF MEETINGS

- 6.1** The secretary shall minute the proceedings and decisions of all committee meetings, including recording the names of those present and in attendance.
- 6.2** Draft minutes of committee meetings shall be circulated to all members of the committee. Once approved, minutes should be circulated to all other members of the board and the company secretary unless, in the opinion of the chairman of the committee, it would be inappropriate to do so.

7. DUTIES

The committee should have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

FINANCIAL REPORTING

- 7.1** The committee shall monitor the integrity of the financial statements of the Group including its annual report relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor. In particular, the committee shall review and challenge where necessary:
 - a)** the application of significant and/or critical accounting policies and practices and any changes to them;
 - b)** the methods used to account for significant or unusual transactions where different approaches are possible;
 - c)** the existence of papers or others forms of evidence to adequately support accounting policies adopted and material judgements taken;
 - d)** the clarity of disclosures;

- e) decisions requiring a major element of judgement;
 - f) the 'significant adjustments' resulting from the audit;
 - g) management's assessment of the Going Concern assumption;
 - h) management's statement on internal control systems, the effectiveness of the Group's internal control systems and procedures for compliance and whether management has discharged its duty to have an effective internal control system;
 - i) whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
 - j) whether the Group have complied with accounting standards and related guidance; and
 - k) all material information presented including any narrative reporting with the financial statements.
- 7.2** The committee shall review and provide advice on whether the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess the Group's performance, business model and strategy.
- 7.3** The committee shall review tax compliance, tax governance and tax planning procedures and strategies of the Group.

EXTERNAL AUDIT

7.4 The committee shall:

- a) consider the appointment, re-appointment or removal of the external auditor and oversee the selection process for a new auditor where required. In the event of a tender, the committee shall ensure that all tendering firms have access to all necessary information and individuals during the tender process;
- b) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;
- c) assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the Ethical Standard and other professional requirements and the firm's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of non-audit services;
- d) monitor the level of fees paid to the auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- e) annually challenge and assess the performance, independence and objectivity of the external auditor, discussing issues they raise in the audit and monitoring the effectiveness of the audit process and reviewing their quality control procedures and steps taken to respond to regulatory, professional and other changes;
- f) approve the terms of engagement in respect of the statutory audit;
- g) develop and implement a policy on engaging the external auditor for non-audit services and approving in advance the fees for both audit (ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted) and non-audit services;
- h) approve the nature, scope and plan of the audit with the external auditor, including the factors that could affect audit quality, before the audit commences;

- i) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - a. a discussion of any major issues which arose during the audit;
 - b. the auditor's explanation of how the risks to audit quality were addressed;
 - c. key accounting and audit judgements; and
 - d. the auditor's view of their interactions with senior management; and levels of errors identified during the audit.
 - j) review management representation letters in relation to financial reporting requested by the external auditor prior to signature by the board;
 - k) review management's response to findings of the audit and resolving disagreements between management and the external auditor regarding financial reporting;
 - l) meet regularly with the external auditor (including at least once a year without management being present), to discuss the auditor's remit and any issues arising from the audit;
 - m) assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures; and
 - n) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the committee.
- b) review and recommend for board approval the statements to be included in the annual report concerning internal control, risk management and the going concern statement; and
 - c) consider the major findings of any relevant internal investigations into control weaknesses or fraud and management's response (in the absence of management where necessary).

8. REPORTING

- 8.1** Minutes of each committee meeting will be disclosed at the following meeting of the board.
- 8.2** The chair of the committee shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities, and also formally report to the board on how it has discharged its responsibilities. The report shall include:
- a) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - b) its assessment of the effectiveness of the external audit process, 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
 - c) any other issues on which the board has requested the committee's opinion.
- 8.3** The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.4** The committee shall work and liaise as necessary with other committees of the board.
- 8.5** In compiling their reports 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 Group is a going concern.

INTERNAL CONTROLS

7.5 The committee shall:

- a) keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems (seeking assurance from relevant board committees as appropriate);

9. OTHER MATTERS

9.1 The committee shall:

- a) have access to sufficient resources in order to carry out its duties, including access to legal and other specialists for advice and assistance as required;
- b) 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;
- c) give due consideration to all relevant laws and regulations, as appropriate;
- d) conduct an annual self-assessment of its activities under these terms of reference and report any conclusions and recommendations to the board and, as part of this assessment, shall consider whether or not it receives adequate and appropriate support in fulfilment of its role and whether or not its annual plan of work is manageable;
- e) oversee any investigation of activities which are within its terms of reference; and
- f) work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.

10. AUTHORITY

10.1 The committee is authorised to:

- a) seek any information it requires from any employee of the Group in order to perform its duties;
- b) obtain, at the Group's expense, independent legal, accounting or other professional advice on any matter if it believes it necessary to do so; and
- c) call any employee to be questioned at a meeting of the committee as and when required.

11. TERMS OF REFERENCE

11.1 The committee shall annually review its terms of reference and may recommend to the board any amendments to its terms of reference.

rsmuk.com

Approved by the board of RSM UK Holdings Limited on 14 June 2023

The UK group of companies and LLPs trading as RSM is a member of the RSM network. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm each of which practises in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction. The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ. The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

RSM UK Corporate Finance LLP, RSM UK Restructuring Advisory LLP, RSM UK Risk Assurance Services LLP, RSM UK Tax and Advisory Services LLP, RSM UK Audit LLP, RSM UK Consulting LLP, RSM Northern Ireland (UK) Limited and RSM UK Tax and Accounting Limited are not authorised under the Financial Services and Markets Act 2000 but we are able in certain circumstances to offer a limited range of investment services because we are licensed by the Institute of Chartered Accountants in England and Wales. We can provide these investment services if they are an incidental part of the professional services we have been engaged to provide. RSM UK Legal LLP is authorised and regulated by the Solicitors Regulation Authority, reference number 626317, to undertake reserved and non-reserved legal activities. It is not authorised under the Financial Services and Markets Act 2000 but is able in certain circumstances to offer a limited range of investment services because it is authorised and regulated by the Solicitors Regulation Authority and may provide investment services if they are an incidental part of the professional services that it has been engaged to provide. Whilst every effort has been made to ensure accuracy, information contained in this communication may not be comprehensive and recipients should not act upon it without seeking professional advice.