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**Peel Hunt Limited (the "Company")**

## **AUDIT COMMITTEE TERMS OF REFERENCE**

*Approved and adopted by the Board of the Company at a Board Meeting held on 28  
September 2021*

## 1. CONSTITUTION

1.1 The board of directors of the Company (the "Board") has established a committee of the Board known as the Audit Committee (the "Committee"). The meetings and proceedings of the Committee are governed by these Terms of Reference.

## 2. MEMBERSHIP

2.1 The Committee shall comprise at least two members, with the usual number being three. All members of the Committee shall be non-executive directors and a majority shall be independent. The Committee shall include at least one member of the Risk Committee. At least one member of the Committee shall have recent and relevant financial experience.

2.2 Members of the Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chair of the Committee (the "Committee Chair"). Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods.

2.3 Only members of the Committee have the right to attend Committee meetings. However, the Chief Financial and Operating Officer, the Chief of Internal Audit, the Outsourced Internal Auditor (as defined below) and the external audit lead partner will be invited to attend meetings of the Committee on a regular basis and other individuals may be invited to attend all or part of any meeting as and when appropriate.

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

## 3. SECRETARY

3.1 The Company secretary, or his or her nominee, shall act as the secretary of the Committee and 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.

4.2 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.

4.3 The Committee may hold meetings in person, by telephone or using any other method of electronic communication whereby the participants are able to communicate effectively with each other, and may take decisions without a meeting by unanimous written consent, when deemed necessary or desirable by the Committee Chair.

## 5. FREQUENCY OF MEETINGS

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

5.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive Officer, the Chief Financial & Operating Officer, the Chief of Internal Audit, the Co-sourced Internal Auditor (as defined below) and the external audit lead partner.

## 6. NOTICE OF MEETINGS

6.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Committee Chair or any of its members or at the request of the external audit lead partner or the Chief of Internal Audit if they consider it necessary.

6.2 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 and any other person required to attend 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.

6.3 Shorter notice and/or late submission or circulation of supporting papers will be permitted at the discretion of the Committee Chair.

6.4 Notices and supporting papers may be circulated electronically (if the recipient has agreed to receive them in this way) or in hard copy as circumstances permit.

## 7. MINUTES OF MEETINGS

7.1 The Company secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

7.2 Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all members of the Committee and other members of the Board and the Company secretary unless, exceptionally, it would be inappropriate to do.

## 8. ENGAGEMENT WITH SHAREHOLDERS

8.1 The Committee Chair should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## 9. DUTIES

The Committee should have oversight of the Group as a whole and, unless required otherwise by law or regulation, and save for where such duties conflict with those of a separate audit committee with responsibility for a major subsidiary undertaking, carry out the duties below for the Company, major subsidiary undertakings and the Group as a whole, as appropriate.

### 9.1 Financial reporting

(a) The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues, estimates and judgements which these statements contain having regard to the matters communicated to it by the auditor.

(b) In particular, the Committee shall review and challenge where necessary:

- i. the application of significant accounting policies and any changes to them;
- ii. the methods used to account for significant or unusual transactions where different approaches are possible;
- iii. whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
- iv. the clarity and completeness of disclosures in the financial statements and the context in which statements are made;
- v. all material information presented with the financial statements, including the strategic report and the corporate governance statements in so far as they relate to the audit and to risk management and internal controls, liaising with the Risk Committee as necessary.

(c) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

### 9.2 Narrative reporting

(a) Where requested by the Board, 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 position performance, business model and strategy. Such review should include the going concern statement, and those matters required to be complied with or explained under the QCA Code (as defined below).

(b) Review any other statements and announcements requiring Board approval which contain financial information, including preliminary announcements, the half yearly report, other interim reports and any financial content (including working capital statements, profit forecasts and pro-forma financial information) and related commentary in respect of announcements, circulars or prospectuses, where to carry out a review prior to approval by the Board would be practicable and consistent with any prompt reporting requirements under any law or regulation including the London Stock Exchange's AIM Rules for Companies.

(c) Recommend to the Board all distributions (including dividends), having considered the distributable reserves of the Company, its capital adequacy and liquidity, liaising with the Risk Committee as necessary.

### 9.3 Internal controls

The Committee shall, liaising with the Risk Committee as necessary:

- (a) support the Board in embedding a sound system of internal control and risk management in monitoring and reviewing its effectiveness; and
- (b) consider the adequacy of the level of assurance on the internal control system and risk management, to support the Board in satisfying itself that they are operating effectively; and
- (c) review and approve all statements to be included in the annual report and/or on its website concerning internal controls and risk management.

### 9.4 Whistle-blowing and fraud

The Committee shall:

- (a) review the adequacy of the Company's arrangements: for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; and to allow proportionate and independent investigation of such raised matters and appropriate follow up action;
- (b) review the Company's procedures for preventing and detecting fraud;

### 9.5 Internal audit,

The Committee shall:

- (a) approve the appointment or termination of appointment of the Chief of Internal Audit and the co-sourced independent internal auditor ("Co-sourced Internal Auditor");
- (b) review and approve the remit of the Internal Audit, as documented in its Charter, and monitor and review the effectiveness of its work;
- (c) review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
- (d) ensure Internal Audit has the necessary resources and unrestricted scope to enable it to fulfil its mandate, and ensure that internal audit is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (e) ensure the Chief of Internal Audit has direct access to the Chief Risk Officer, the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee;
- (f) carry out an annual assessment of the effectiveness of the Internal Audit; and as part of this assessment:
  - i. meet with the Chief of Internal Audit, without the presence of management, to discuss the effectiveness of the Co-sourced Internal Auditor;
  - ii. review and assess the annual internal audit work plan;
  - iii. receive a report on the results of the Co-sourced Internal Auditor's work;
  - iv. determine whether it is satisfied that the quality, experience and expertise of the Co-sourced Internal Auditor; and
  - v. review the actions taken by management to implement the recommendations of Internal Audit, to ensure that actions and areas for improvement that have been highlighted are followed up;

(g) Commission an independent, third party review of the effectiveness of the internal audit arrangements and processes at least every five years; and

(h) oversee the co-ordination of the Chief of Internal Audit, the Co-sourced Internal Auditor and the external auditors.

(i) adopt a policy on the frequency of tendering for the appointment of the Co-sourced Internal Auditor

## 9.6 External audit

The Committee shall:

(a) consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;

(b) adopt a policy on the frequency of tendering for the appointment of the external auditor;

(c) if an external auditor resigns, investigate the issues leading to this and decide whether any action is required;

(d) oversee the relationship with the external auditor. In this context the Committee shall:

(i) approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted; and

(ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

(e) assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, ethical and professional standards and other requirements and the group'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 any non-audit services;

(f) satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

(g) agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account ethical and professional standards and requirements and any legal requirements and monitor the application of this policy;

(h) monitor the auditor's processes for maintaining independence, its compliance with any relevant UK law, regulation, other ethical and professional standards and requirements, including the guidance on the rotation of the audit partner and staff;

(i) assess annually the qualifications, expertise, 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;

(j) seek to ensure co-ordination of the external audit with the activities of the Chief of Internal Audit, the Co-sourced Internal Auditor and Chief Risk Officer;

(k) 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, liaising with the Risk Committee as necessary;

(l) develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the external auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assess whether non-audit services have a direct or material effect on the audited financial statements;

(m) meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit;

(n) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

(o) review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:

- i. a discussion of any major issues which arose during the audit;
- ii. the auditor's explanation of how the risks to audit quality were addressed;
- iii. key accounting and audit judgements;
- iv. the auditor's view of their interactions with senior management; and
- v. levels of errors identified during the audit;

(p) review any representation letter(s) requested by the external auditor before they are signed by management;

(q) review the management letter and management's response to the auditor's findings and recommendations; and

(r) review 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.

## 10. REPORTING RESPONSIBILITIES

10.1 The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This 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 and its approach taken to the appointment or reappointment of the external auditor; and

(c) any other issues on which the Board has requested the Committee's opinion.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should describe the work of the Committee including:

- (a) the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- (b) an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and its approach taken to the appointment or reappointment of the external auditor;
- (c) review the operating model of internal audit on an annual basis;
- (d) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded; and (e) all other information requirements set out in the QCA Code (as defined below).

10.4 In compiling the reports referred to in 10.1 and 10.3, 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.

## 11. OTHER MATTERS

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for 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 on-going basis for all members;
- (c) give due consideration to relevant laws and regulations including the Companies (Guernsey) Law 2008, the provisions of the Quoted Companies Alliance Corporate Governance Code (the "QCA Code"), the London Stock Exchange AIM Rules for Companies, the Disclosure Guidance and Transparency Rules, the UK Market Abuse Regulation and any other applicable rules and guidance as appropriate;
- (d) oversee any investigation of activities which are within its terms of reference;
- (e) work and liaise as necessary with all other Board committees; and
- (f) arrange for periodic evaluation 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.

## 12. AUTHORITY

The Committee is authorised to:

- (a) seek any information it requires from any employee of the Company or Group and from any sub-contractor, consultant or other provider of services in order to perform its duties;



- (b) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (c) call any employee to be questioned at a meeting of the Committee as and when required;
- (d) delegate any matter or matters to another committee or person(s) as it deems appropriate; and
- (e) perform any other functions as requested by the Board.