

# Quilter

## **Board Audit Committee Terms of Reference**

9 November 2023

## QUILTER PLC (“Quilter” or the “Company”)

Version approved by the Quilter Board (the “**Board**”) on 9 November 2023.

### 1. Role

The role of the Board Audit Committee (the “**Committee**”) is principally to review and monitor:

- The integrity of the Quilter financial statements and related announcements;
- The effectiveness of the internal control framework across Quilter and its subsidiaries (joint responsibility with the Board Risk Committee);
- The effectiveness of the internal and external audit process;
- The relationship with the external auditors; and
- The effectiveness of the Whistleblowing procedures of Quilter and its subsidiaries.

### 2. Authority

- 2.1 The Committee is a Board committee of Quilter from which it derives its authority and to which it regularly reports.
- 2.2 The Committee has delegated authority of the Board in respect of the functions and powers in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation, the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 2.3 The scope of the Committee extends across all businesses owned, controlled and governed by Quilter, including joint ventures, in all jurisdictions. It also has authority to obtain any information that it may require from any Director, officer or employee of the Quilter Group and shall have access to the Chief Internal Auditor.
- 2.4 The Committee may request a summary of material issues considered at any audit committees of the Business Oversight Boards (as defined in the Group Governance Manual) for the main subsidiaries of Quilter.



### 3. Constitution and meetings of the Committee

- 3.1 Membership – Comprises at least three independent Non-executive Directors of Quilter appointed by the Board. Members of the Committee shall be appointed by the Board, on the recommendation of the Board Corporate Governance and Nominations Committee in consultation with the Committee Chair. The Chair of the Board shall not be appointed to the Committee. Where possible, one member of the Committee shall be a member of the Board Risk Committee and one member of the Committee shall be a member of the Board Remuneration Committee. At least one member shall have recent and relevant financial experience and competence in accounting and/or auditing (ideally with a professional qualification from an accounting body). The Committee as a whole shall have competence relevant to the sector in which Quilter operates.
- 3.2 Duration of appointments – Shall be for a period of up to three years which may be extended by a further two additional periods of up to three years, subject to the Directors still meeting the criteria for membership of the Committee and their continuing status as an independent Non-executive Director.
- 3.3 Chair – Shall be appointed by the Board on the recommendation of the Board Corporate Governance and Nominations Committee. The Committee Chair does not have a casting vote.
- 3.4 Secretary – The Quilter Company Secretary or his or her nominee shall act as Secretary to the Committee.
- 3.5 Meetings – Meetings will be held a minimum of four times per year and at any other time as the Committee's role and responsibilities require. Meetings will be convened by the Company Secretary at the request of Committee members, the Quilter Chair, the Group Chief Executive, the External Audit Lead Partner or the Chief Internal Auditor.  
Outside of the formal meeting programme, the Chair of the Committee and, to a lesser extent, the other Committee members, will maintain a dialogue with key individuals involved in Quilter's governance, including the Chair of the Board, the Chief Financial Officer, the External Audit Lead Partner and the Chief Internal Auditor.
- 3.6 Notice of meetings – Unless otherwise agreed by the Chair of the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be made available to each member of the Committee, any other person required to attend and all other Non-executive Directors, no later than four working days before the date of the meeting.
- 3.7 Quorum - The quorum for meetings shall be two members one of whom should normally be the Chair of the Committee. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.



3.8 Minutes – The Company Secretary or his or her nominee shall minute the proceedings and decisions of all Committee meetings.

3.9 Attendees - Only the members of the Committee have the right to attend Committee meetings. However, the following will be expected to attend Committee meetings on a regular basis (when deemed appropriate by the Committee):

- The External Auditors
- Quilter Chief Financial Officer
- Quilter Chief Internal Auditor
- Quilter Chief Risk Officer
- Quilter Chief Operating Officer
- Quilter Director of Finance

There is an open invitation for any Quilter Non-executive Directors to attend any Committee meeting with the agreement of the Chair of the Committee. By invitation of the Committee, any officer or employee of the Committee, any officer or employee of the Group or other person may also be invited to attend for a particular meeting or a particular agenda item.

At least once a year, the Committee shall meet with the External Audit Lead Partner and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

If any member is unable to act for any reason, the Chair of the Committee may appoint another independent Non-executive Director of Quilter agreed by the other members of the Committee to act as that member's alternative.



## 4. Responsibilities of the Committee

The Committee will undertake the following tasks/functions for Quilter and, where appropriate, for its subsidiary companies.

### 4.1 Financial Reporting and Controls

Monitor the integrity of the Group's financial statements, interim or half-year results announcements, preliminary announcements, significant financial returns to regulators including Solvency II and related reports, significant financial information contained in any other documents and any other public statements of Quilter's financial performance. In particular:

- a) Review and, where appropriate, report to the Board on the significant financial reporting issues, estimates and judgements made in connection with the preparation of the Quilter financial statements, preliminary announcements and any other public statements of Quilter's financial performance, having regard to matters communicated by the External Auditor.
- b) Evaluate the risks to the quality and effectiveness of the financial reporting process in light of the External Auditor's communications and management's assessments of fraud risk.
- c) Review and challenge where necessary the clarity, completeness and appropriateness of disclosures in the Group's financial statements and consider whether the disclosures made are set properly in context, including, without limitation, any going concern and viability statements to be made by the Board of Quilter and the related information presented with the financial statements (including the strategic report and corporate governance statements relating to the Audit).
- d) Review and approve all trading statements prior to public release.
- e) Review and challenge where necessary the significant accounting policies and practices of Quilter and its subsidiaries, including as to their establishment, consistency and any changes to them.
- f) Consider whether Quilter and its subsidiaries has adopted appropriate accounting standards and policies and, where necessary, made appropriate estimates and judgements.
- g) Review and challenge where necessary the methods used to account for significant or unusual transactions where accounting treatment is open to different approaches.
- h) Where accounting treatment is open to different approaches, consider whether Quilter has adopted appropriate accounting standards and, where necessary, made appropriate estimates and judgments taking into account the views of the External Auditor.
- i) Review and monitor any significant adjustments arising from the Audit.



- j) Review and challenge where necessary the Groups disclosure controls and procedures including receiving reports from the Chief Financial Officer on the work of the Quilter Disclosure Committee.
- k) Review the statement by the directors to be included in the half yearly and annual accounts whereby the Directors should state whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and identify any material uncertainties to Quilter's ability to do so over a period of at least twelve months from the date of approval of the financial statements.
- l) Review and approve material changes to the Financial Control and Reporting Risk Policy.
- m) Keep under review Quilter's internal financial controls systems that identify, assess, manage and monitor financial risks.

#### 4.2 Narrative Reporting

- a) Advise the Board on whether, taken as a whole, the Annual Report and Accounts 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 which is required under the UK Corporate Governance Code (the "**Code**").
- b) Provide advice on the assessment of principal risks facing the Company, including the management and mitigation of those risks.
- c) Provide advice on how, taking account of the Company's position and principal risks, the prospects of the Company, over what period, and why they consider that period to be appropriate, and whether there is a reasonable expectation that Quilter will be able to continue in operation and meet its liabilities as they fall due over a chosen period, drawing attention to any qualifications or assumptions as necessary.

#### 4.3 Actuarial Matters

- a) The Committee shall oversee the actuarial content, taking into account the advice of the Actuary, of the financial reports or any regulatory publications or submissions to verify appropriateness of the actuarial methods and assumptions used and changes thereto and the appropriateness of the financial results that depend on actuarial calculations.
- b) The Committee will receive reports from the Actuarial function on the actuarial liabilities, profit and embedded value and from the external Auditors on their review of the actuarial liabilities, profit and embedded value.



- c) Without prejudice to the duties and obligations imposed on him or her by applicable law or regulation, the Committee may review the role and duties of the Chief Actuary and provide guidelines or requirements relating to the function from time to time.

#### 4.4 Internal Audit

Monitor and review the effectiveness, independence and objectivity of Quilter Internal Audit. In particular:

- a) Review and approve the remit of Internal Audit, including its Audit Charter and undertake an annual review of the Audit Charter.
- b) Ensure the right ‘tone at the top’ to ensure support for, and acceptance of, Internal Audit at all levels of the Group. In particular, ensure the Chief Internal Auditor has direct access to the Chair of the Board and the Chair of the Committee, providing independence from the executive and accountability to the Committee.
- c) Review and monitor the effectiveness of the work of Internal Audit in the context of the Group’s internal control and risk management systems and its performance against its agreed objectives and the Audit Charter, and report on that review in the Annual Report.
- d) Approve and review the appointment and, as necessary, the removal of the Chief Internal Auditor.
- e) Where the tenure of the Chief Internal auditor exceeds seven years, the Committee should explicitly discuss annually the Chair’s assessment of the Chief Internal Auditor’s independence and objectivity.
- f) Review, assess and approve the Audit Plan prepared by Internal Audit, including any material changes to the Audit Plan, ensuring it is aligned to the key risks of Quilter.
- g) Ensure Internal Audit has the necessary resources and access to information to enable it to fulfil its mandate, including reviewing and approving its budget and, as part of the Board’s overall governance responsibility, disclose in the Annual Report whether it is satisfied that Internal Audit has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with appropriate professional standards for internal auditors.
- h) Review and monitor the coordination between Internal Audit and the external auditors.
- i) At least once a year, meet with Internal Audit without executive Directors or executive management present.
- j) Receive and review reports on the results of Internal Audit’s work on a periodic basis.



- k) Review and monitor management's responsiveness in remedying Internal Audit's findings and recommendations and any deficiencies identified by supervisory authorities related to the Internal Audit function.
- l) Carry out an annual assessment of the effectiveness of Internal Audit, and as part of this assessment:
  - Meet with the Chief Internal Auditor without the presence of management to discuss the effectiveness of the function;
  - Review and assess the annual Internal Audit work plan;
  - Receive a report on the results of the Internal Auditor's work;
  - Determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business; and
  - Review the actions taken by management to implement the recommendations of Internal Audit and to support the effective working of the Internal Audit function.
- m) Obtain an independent external assessment of Internal Audit at an appropriate interval and at least once every three years. The Chair of the Committee will oversee and approve the appointment of the external assessor. The results of the external assessment will be considered by the Committee.

#### 4.5 External Audit

Oversee the Group's relationship with the external auditors and assess the effectiveness of the external audit process. In particular:

- a) General:
  - Maintain regular, timely, open and honest communication with the external auditors, ensuring the external auditors reports to it on all relevant matters to enable the Committee to carry out its oversight responsibilities.
  - Monitor, and discuss with the external auditors, the Group's relationship with the external auditors and the working relationship, coordination and exchange of information between the external auditors and Internal Audit.
  - At least once a year, meet with the external auditors without executive Directors or executive management present. The Chair of the Committee shall also normally be available before each Committee meeting to meet the external auditors for private discussions.



b) Appointment and tendering:

- Review and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the external auditors.
- Recommend to the Board that the external audit is put out to tender at least as often as is required by applicable law, rules, regulations and best practice. If the Committee recommends considering the selection of possible new external auditors, initiate and oversee a fair tendering and selection process (ensuring that all tendering firms have access to all necessary information and individuals during the tendering process).
- Periodically assess the qualifications, expertise and resources of the external auditors.
- If the external auditor resigns, investigate the issues giving rise to the resignation and consider whether any action is required.

c) Remuneration and other terms of engagement:

- Agree the remuneration to be paid to the external auditors in respect of audit and non-audit services to be provided (ensuring that the level of fees payable for audit services is appropriate to enable an effective and high quality audit to be conducted) and the other terms of engagement of the external auditors, including the terms of the engagement letter issued by the external auditors at the start of each audit.
- Monitor the level of fees paid by Quilter compared to overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and ethical standards.

d) Annual audit cycle:

- At the start of each annual audit cycle, ensure that appropriate plans are in place for the audit.
- Obtain from the external auditors in connection with any audit, a timely written report relating to the Group's annual audited financial statements, including prompt notification of any significant audit findings and any significant problems encountered in carrying out the audit. Review, with the external auditors, the findings of their work.
- Discuss with the external auditor any matters arising from the statutory audit that may have an impact on regulatory capital or regulatory disclosures.



- Review, and approve on behalf of the Board, the audit representation letters before signature by management. The Committee should consider whether the information provided is complete and appropriate based on its own knowledge.
  - As part of the ongoing monitoring process and at the end of the annual audit cycle, review and monitor the content of the external auditor's management letter.
  - Review and monitor management's responsiveness in remedying the external auditors' findings and recommendations.
  - At the end of the annual audit cycle, assess the effectiveness of the audit process, reporting to the Board if appropriate and review with the external auditors (in the absence of management if necessary) the results of their work in conducting the annual audit, including:
    - (a) any major issues that arose during the course of the audit; (b) the external auditors' explanation of how the risks to audit quality were addressed; (c) key accounting and audit judgments; (d) the level of errors identified during the audit; (e) the External Auditor's view of their interactions with senior management and (f) any reservations the external auditors have and other issues that they wish to raise.
- e) Independence and objectivity, including the provision of non-audit services:
- Assess, annually, the independence and objectivity of external auditors, taking into consideration relevant law, regulations and professional requirements and ethical standards for auditors, including any threats to the auditor's independence and the safeguards applied to mitigate those threats. Satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and Quilter (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity.
  - Agree the Quilter policy on the provision of non-audit services by the external auditor (specifying the types of non-audit service to be pre-approved by the Committee and the assessment of whether non-audit services have a direct or material effect on the audited financial statements), and monitor the application of the policy (and the provision of those services) and review and recommend to the Board, annually, changes to the policy.
  - 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.
  - Agree material changes to the Group's policy for the employment of former employees of the external auditor, and monitor the application of the policy, taking into account ethical standard and legal requirements.



- Monitor the external auditor's compliance with the Ethical Standards for Auditors relating to, among other things, the rotation of audit engagement partners, the level of fees that the Group pays in proportion to the overall fee income of the firm, and other related regulatory requirements.
- Recommend to the Board the identity and replacement from time to time of the external audit engagement partners.

#### 4.6 Whistleblowing

- a) Review the adequacy and security of the Group's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow effective assessment and escalation of concerns. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- b) Oversee the Group's whistleblowing policies and procedures, assess their effectiveness and ensure management produce an annual report on whistleblowing to the Board.
- c) Receive, semi-annually, a report on whistleblowing matters, including of material instances of disclosure.

#### 4.7 Regulatory Reporting

- a) Review arrangements established by management for compliance with regulatory financial reporting and best practice requirements including the requirements and recommendations of relevant regulatory or supervisory bodies.
- b) Review any letters to the Board from the Group's principal regulators (including the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA")) on any matters relevant to the remit of the Committee.
- c) Review and approve on behalf of the Board, Solvency II and Pillar 3 reports in respect of Quilter and relevant subsidiaries for publication and submission to the regulator.
- d) Review all reports required to be commissioned from the Group's auditors or other firms so appointed by the FCA or the PRA together with any other matters of significance arising during regular meetings with the FCA or arising with respect to returns and reports submitted to the FCA and the Group's other principal regulators.



- e) Receive and review regular reports on compliance with the FCA's Client Assets Sourcebook ("CASS") rules (or equivalent rules imposed by overseas regulators) in the Group's permissioned regulated subsidiaries.

#### 4.8 Committee Effectiveness

- a) General – Conduct an annual self-assessment of the Committee's effectiveness, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any necessary changes to the Board. Consider whether or not the Committee receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.
- b) Training – Make available, via the Company Secretary, to new members of the Committee a suitable induction process and provide training and awareness to members of the Committee on an ongoing and timely basis.

### 5. Reporting Responsibilities

#### 5.1 Reporting to the Board

- a) General - Report to the Board on how it has discharged its responsibilities and on any other matters referred to it by the Board. In doing so, identify any matters in respect of which it considers that action or improvement is needed, and make any recommendation it deems appropriate as to the steps to be taken.
- b) Meetings – Following each meeting of the Committee, report formally (through the Chair of the Committee (or the chair of that meeting)) to the Board on its proceedings.
- c) Coordination with other committees – Work and liaise as necessary with all other committees of the Board but particularly to ensure there is effective co-ordination with the work of the Board Risk Committee. Without limitation, the Committee should contribute to the information provided to the Board Remuneration Committee in setting incentive compensation. Where there is a perceived overlap of responsibilities between the Committee and the Board Risk Committee, the respective Committee Chairs 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 Board Risk Committee will be deemed by the Board to have been fulfilled provided it is dealt with by the Committee or the Board Risk Committee.
- d) Coordination with Business Oversight Boards and their Committees – Work with other Group Boards and Governance, Audit and Risk Committees to ensure that matters material to the



Quilter Group including material transactions are given appropriate oversight and that there is clarity around roles and responsibilities of governance fora within the Quilter Group.

## 5.2 Reporting to Shareholders

- a) General – The Committee should identify any shareholder views on audit issues and respond to any shareholder concerns.
- b) Annual General Meeting - The Chair of the Committee, or a deputy chosen from the membership, should be present at the Annual General Meeting of the Company to answer questions, through the Chair of the Board, on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.
- c) Annual Report – The Committee will compile a report of the work of the Committee for inclusion in the Annual Report, detailing the Committee's roles and responsibilities and actions taken to discharge those responsibilities. This report should include:
  - a description of how the Committee composition requirements have been addressed, the names of all members of the Committee, the number of Committee meetings and attendance by each member;
  - an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.

The Committee has the right to publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board.

## 6. Escalations to the Committee

The Committee will receive reports from standing and ad hoc Business Oversight Boards or Committees on the material matters relevant to Quilter as a whole.

## 7. Governance and Resources

The Committee shall:



- a) in its decision making, give due regard to any relevant legal or regulatory requirements, the provisions of the UK Corporate Governance Code, the requirements of the FCA's Listing, Prospectus and Transparency Rules, the guidance in the FCA's Disclosure Guidance and any other applicable laws and guidance, as appropriate, and associated best practice guidance, as well as to the risk and risk management implications of its decisions;
- b) Act in the way that they believe will promote the success of Quilter for the benefit of its shareholders while also giving consideration to the following matters under the Companies Act 2006:
  - the consequences of any decision in the long term;
  - the interests of Quilter's employees;
  - the need to foster good relationships with suppliers and others;
  - The need to foster good relations with customers and to be mindful of outcomes for our customers;
  - the impact of Quilter's operations on the community and the environment;
  - the desirability of Quilter maintaining a reputation for high standards of business conduct; and
  - the need to act fairly between all of Quilter's shareholders.
- c) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary, who shall have independent access to the Chair of the Committee and to the services of the Corporate Secretariat on Committee matters;
- d) have the power to call any employee to be questioned at a meeting of the Committee, as and when required; and
- e) have the power to engage independent counsel and other professional advisers at the expense of the Group and to invite them to attend meetings.

## 8. Terms of Reference

The Committee shall periodically, and at least annually, review its performance and its Terms of Reference and may recommend to the Board any appropriate amendments to these Terms of Reference.

