

CURTIS BANKS GROUP PLC

AUDIT COMMITTEE TERMS OF REFERENCE

MAY 2020



1.0 Role of Committee

1.1 The Committee was constituted at a full meeting of the Curtis Banks Group Board of Directors (Board of Directors) held on 14 January 2015 in accordance with the articles of association of Curtis Banks Group plc (the Company).

1.2 The Board shall appoint the Committee Chair who shall be an independent Non-Executive Director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting who would qualify under these terms of reference to be appointed to that position by the Board. The Chair of the Board shall not be Chair of the Committee.

2.0 Committee Members

2.1 The members of the Committee shall be appointed by the Board of Directors in consultation with the Chair of the Audit Committee. All of the members of the Committee should be Non-Executive Directors. Appointments to the Committee shall be for periods of up to three years, which may be extended for no more than two additional three-year periods.

2.2 The Committee shall have at least two members. The Chair of the Board of Directors may also serve on the Committee as an additional member, but not the Chair of the Committee.

2.3 Only members of the Committee have the right to attend Committee meeting but other Directors, the Group HR Director and external advisers may be invited to attend all or part of any meeting as and when appropriate.

2.4 The Company's External and Internal Auditors may be required to attend Committee meetings with a view to consulting with the Committee.

3.0 Quorum

3.1 Subject to paragraph 3.2, a quorum shall be any two members of the Committee.

3.2 Where a member of the Committee is not permitted under the Articles of Association of the Company to vote on or be counted in the quorum in relation to any matter or resolution to be considered by the Committee, the quorum necessary for the transaction of business shall be such number of members present (being not less than one member) who are permitted to vote on or be counted in the quorum in relation to such matter or resolution.

3.3 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.

CURTIS BANKS GROUP PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

3.4 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.

3.5 Save where they have a personal interest, the Chair will have a casting vote.

4.0 Frequency of Meetings

4.1 The Committee will meet at least four times a year. The Committee may meet at other times during the year as requested by the Chair of the Committee.

5.0 Notice of Meeting

5.1 Meetings of the Committee shall be scheduled by the Secretary of the Committee at the request of any of the members or the Internal or External Auditors.

5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of the matters to be discussed at the meeting shall be forwarded to each member and any other person required to attend no later than ten working days before the date of the meeting. Any supporting papers shall be sent to each member of the Committee and to other attendees (as appropriate) at the same time

5.3 The Executive Office shall be 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 the issues.

6.0 Minutes of Meeting

6.1 The proceedings and resolutions of the Committee meetings, including the names of those present and in attendance shall be minuted by the Executive Office.

6.2 Draft minutes of each meeting will be circulated promptly to all members of the Committee.

6.3 Once approved, the minutes of each meeting will be circulated to all other members of the Board of Directors unless, in the opinion of the Chair, it would be inappropriate to do so. The Committee Chair shall report to the Board of Directors on its proceedings after each meeting on all matters within its duties and responsibilities.

7.0 Main Responsibilities

Financial Statements and Accounting Policies

7.1 The Committee shall 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, reviewing significant financial reporting issues and judgements which they contain.

CURTIS BANKS GROUP PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

7.2 The Committee shall review and challenge where necessary

- The consistency of, and any changes to, accounting policies, both on a year on year basis and across the Company and its group
- The methods used to account for significant or unusual transactions, where different approaches are possible
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the External Auditor
- The clarity of disclosure in the Company's financial reports and the context in which statements are made
- All material information presented with the financial statements, such as the business review/operating and financial review and any corporate governance statement (insofar as it relates to the audit and risk management)

7.3 If the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board of Directors.

7.4 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 performance, business model and strategy

Internal Audit

7.5 The Committee shall:

- Monitor and review the effectiveness of the Company's Internal Audit function in the context of the Company's overall risk management system
- Approve the appointment and removal of the head of any Internal Audit function or of any outsourced Internal Audit function
- Consider and approve the remit of any Internal Audit function and ensure it has necessary resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards
- Ensure any Internal Auditor has direct access to the Chair of the Board of Directors and the Chair of the Committee and is accountable to the Committee
- Review and assess the annual Internal Audit plan
- Review periodic reports on the results from any Internal Auditor's work
- Review and monitor management's responsiveness to the findings and recommendations of any Internal Auditor
- Meet/speak with the head of Internal Audit/Internal Audit lead partner at least once a year, without management being present

7.6 The Committee shall:

- 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. The Committee shall oversee the selection process for any new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required
- Ensure that at least once every five years that audit services contracts are put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the

CURTIS BANKS GROUP PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

incumbent auditor with those of other audit firms and oversee the selection process and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process

- Oversee the relationship with the External Auditor including (but not limited to):
 - Recommendations on their remuneration, including 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
 - Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
 - Assessing annually their independence and objectivity, taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services
 - 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) which could adversely affect the auditor's independence and objectivity
 - Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm
 - 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
 - Seeking to ensure co-ordination with the activities of any Internal Audit function
 - Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market on that evaluation
- 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 their remit and any issues arising from the audit
- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team
- Review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:
 - A discussion of any major issues which arose during the audit
 - Any key accounting and audit judgements
 - Levels of errors identified during the audit, and the effectiveness of the audit
 - Review any representation letter(s) requested by the External Auditor before they are signed by management
 - Review the management letter and management's responsiveness to the auditor's findings and recommendations
 - Develop and implement a policy on the supply of non-audit services by the External Auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter

CURTIS BANKS GROUP PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

Reporting

7.7 The Chair of the Committee shall report formally to the Board on its 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. The report shall include:

- The significant issues that it had considered in relation to the financial statements and how these were addressed
- The assessment of the effectiveness of the External Audit process and its recommendations on the appointment/reappointment of the External Auditor

7.8 The Committee shall monitor and make whatever recommendations to the Board it deems appropriate on the potential implications of legal actions being taken against the Company, the adequacy of arrangements for managing conflicts of interest and on such other matters as the board may request from time to time and any area within its remit where action or improvement is needed.

7.9 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report shall include (but not be limited to) 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.

7.10 The chair of the Committee should be available at each Annual General Meeting of the Company to answer questions concerning the Committee's work.

7.11 The Committee shall arrange for periodic reviews of its own performance and, at least once a year, 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 of Directors for approval.

7.12 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required and 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.

7.13 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair, Chief Executive, Chief Financial Officer, Chief Risk Officer, External Audit lead partner and Internal Audit lead partner.

8.0 Authority

8.1 The Committee is authorised by the Board of Directors to examine any activity within its terms of reference and is authorised to obtain, at the Company's expense, legal or professional advice on any matter within its terms of reference.

8.2 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. The Committee is authorised to seek any information it requires from any employee or Director, and all such employees or Directors will be directed to co-operate with any request made by the Committee.

CURTIS BANKS GROUP PLC

AUDIT COMMITTEE

TERMS OF REFERENCE

8.3 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.

9.0 Relationship with other Committees

9.1 The recommendations of the Committee minutes must be approved by the Board of Directors before they can be implemented.

10.0 Management Information Input

TBC

11.0 Committee Reporting & Escalation

TBC

12.0 Approval

Approved by: Curtis Banks Group Board

Date of approval: June 2020

Date of next review: June 2021