

**ARROW GLOBAL GROUP PLC****AUDIT COMMITTEE****TERMS OF REFERENCE**

The following are the terms of reference of the Audit Committee of Arrow Global Group PLC (the “**Company**”) and its subsidiaries (together, the “**Group**”).

**1. Membership**

- 1.1. The Audit Committee shall be appointed by the board of directors of the Company (the “**Board**”) on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee. The Audit Committee shall comprise at least three members.
- 1.2. All members of the Audit Committee shall be independent non-executive directors. One of the members shall be the Chair of the Risk Committee and, where possible, one member of the Remuneration Committee. The Chair of the Board shall not be a member of the Audit Committee.
- 1.3. The Board shall appoint the Chair of the Audit Committee (the “**Chair**”), who shall be an independent non-executive director. In the absence of the Chair, the remaining members present shall elect one member to chair the meeting.
- 1.4. At least one member of the Audit Committee should have significant, recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies as well as having competence in accounting or auditing, or both. The Audit Committee as a whole shall have competence relevant to the financial services sector.
- 1.5. Appointments to the Audit Committee shall be for a period of up to three years, which may be extended for no more than two additional periods of up to three years, so long as (where applicable) members continue to be independent.
- 1.6. The Company Secretary (or his or her nominee) shall act as the secretary of the Audit Committee (the “**Secretary**”) and shall ensure that the Audit Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

**2. Quorum**

- 2.1. The quorum necessary for the transaction of business shall be two members of the Audit Committee. Ideally, at least one of the members present in any quorum should have significant, recent and relevant financial experience as well competence in accounting and/or auditing.
- 2.2. A duly convened and quorate meeting of the Audit Committee shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Audit Committee.

**3. Frequency of meetings**

- 3.1. The Audit Committee shall meet at least four times a year at appropriate intervals in the financial

reporting and audit cycle and at such other times as required. Meetings may be convened by telephone when necessary. Meetings should be held, where possible, alongside Board Risk Committee meetings, to ensure that the work of the two committees is coordinated and consistent.

- 3.2. Outside the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Group's governance, including the Chair of the Board, the Group Chief Executive Officer, the Group Chief Financial Officer, the external audit lead partner, and the Head of Internal Audit.

#### 4. **Notice of meetings**

- 4.1. Meetings of the Audit Committee shall be called by the Secretary at the request of any of its members or at the request of any of the following people if they consider a meeting to be necessary:

- (A) the Chair of the Board;
- (B) the Group Chief Executive Officer;
- (C) the Group Chief Financial Officer;
- (D) the external audit lead partner; or
- (E) the Head of Internal Audit.

- 4.2. Unless otherwise agreed, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Audit Committee, and to other attendees as appropriate, no later than five working days before the date of the meeting. The Chair shall have the sole discretion to reduce the above notice period to whatever the Chair considers appropriate in the circumstances.

#### 5. **Proceedings of the Audit Committee**

- 5.1. Only Audit Committee members have the right to attend Audit Committee meetings. However, the Audit Committee may invite the Head of Internal Audit, external auditor, the Group Chief Risk Officer and the Group Chief Financial Officer to attend meetings on a regular basis and other non-members (such as the Chair of the Board, the Group Chief Executive Officer, other directors or management to attend all or part of any meeting as and when appropriate and necessary).
- 5.2. At least once a year the Audit Committee will meet the external auditors without executive directors or other management present.
- 5.3. At least once a year the Audit Committee will meet the internal auditor without executive directors or other management present.
- 5.4. Similarly, the Audit Committee may meet separately with any of the executive directors without any other executive directors being present.
- 5.5. The Chair will be available to the Secretary, the Group Chief Financial Officer and the Group Chief Risk Officer to discuss any matters of concern in relation to internal control concerns, financial reporting matters or compliance with the Group's legal and regulatory obligations, in the widest sense, should this be considered necessary by those individuals.
- 5.6. Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chair having a second, casting vote in the event of a tie. An Audit Committee member who remains opposed to a proposal after a vote can ask for his or

her dissent to be noted in the minutes.

## **6. Minutes of meetings**

- 6.1. The Secretary shall minute the proceedings and decisions of all Audit Committee meetings and record the names of those present and in attendance.
- 6.2. The members of the Audit Committee shall, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary shall minute them accordingly. Where there is a conflict of interest and the Chair determines that it is material, they shall have the power to exclude that Committee member from discussions on that issue.
- 6.3. Draft minutes of Audit Committee meetings shall be circulated to all members of the Audit Committee as soon as practicable after each meeting. Once approved, minutes shall be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chair.
- 6.4. Final signed copies of the minutes shall be maintained for Company records.

## **7. Responsibilities of the Committee Chair**

The Chair's responsibilities include:

- (A) Fostering an open, inclusive and, where appropriate, challenging discussion;
- (B) Ensuring the Committee receives accurate, high quality, timely and clear information necessary to perform its task and devotes sufficient attention to the matters within its remit;
- (C) Facilitating the running of the Committee so that it provides independent oversight of executive decision-making;
- (D) Safeguarding the independence and overseeing the performance of the Internal Audit Function;
- (E) Reporting to the Board on the Committee's activities including: (i) the significant issues that it considered in relation to the financial statements and how these were addressed, (ii) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor and (iii) any other issue on which the Board has asked for the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request or not, and make recommendations as to the steps to be taken; and
- (F) Engaging with shareholders as appropriate on significant matters related to the areas of the Committee's responsibilities.

## **8. Annual general meeting**

The Chair shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Audit Committee's activities and responsibilities.

## **9. Authority**

- 9.1. The Audit Committee is authorised by the Board to undertake any activity within its terms of reference. The Audit Committee is entitled to sufficient resources from the Group to undertake its duties and may at any time request internal audit to carry out such independent reviews as it deems necessary and report back to the Audit Committee.

9.2. In particular, the Audit Committee is authorised to:

- (A) seek any information that it requires from any employee of the Group employee or contractor 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 or contractor of the Group to discuss matters at a meeting of the Audit Committee as and when required; and
- (D) publish in the Company's annual report details of any issues that cannot be resolved between the Audit Committee and the Board.

## 10. Responsibilities

10.1. The Committees should have oversight of the Group as a whole and unless required otherwise by regulation carry out the duties below for the parent company and the Group as a whole.

### External audit

10.2. The Audit 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 or removal of the external auditors;
- (B) monitor the statutory audit of the Company's annual and consolidated accounts and review and agree with the external auditors the results of their audit. 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 risks to audit quality were addressed;
  - (iii) key accounting and audit judgments;
  - (iv) the auditor's view of their interactions with senior management;
  - (v) levels of errors identified during the audit;
  - (vi) effectiveness of the audit; and
  - (vii) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements.

10.3. Subject to the external auditors being changed at least every twenty years, the Audit Committee shall ensure that at least once every ten years the external audit services contract is put out to tender to enable the Audit Committee to compare the quality and effectiveness of the services provided by the incumbent external auditor with those of other external audit firms. In respect of such tender the Audit Committee shall develop and oversee the selection process for the appointment of the auditor and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.

10.4. If an auditor resigns, the Audit Committee shall investigate the issues leading to this and decide whether any action is required.

- 10.5. The Audit Committee shall oversee the relationship with the external auditor, which shall include (but is not limited to):
- (A) preparing recommendations on their remuneration, including fees for both audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - (B) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (C) authorising, to the extent permitted by law and regulations, the external auditor to provide non-audit services to the Company or Group before the commencement of the non-audit services and reviewing and monitoring the appropriateness of the provision of non-audit services by the external auditor from time to time;
  - (D) specifying a policy for the pre-approval of permitted non-audit services including setting materiality thresholds based on the value of the proposed non-audit service engagements and setting out prohibited non-audit services;
  - (E) assessing annually their independence and objectivity, taking into account relevant UK law, regulation, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (F) 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;
  - (G) agreeing a policy with the Board on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
  - (H) 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 with the overall fee income of the firm, office and partner and other related requirements for maintaining independence and objectivity;
  - (I) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness and quality of the audit process, which shall include a report from the external auditor on their own internal quality procedures. The assessment of the quality of the audit shall include handling of key judgments by the auditor and the auditor's response to questions from the Audit Committee;
  - (J) seeking to ensure co-ordination with the activities of the internal audit function and that any conflicts of interest between the external auditor and internal audit are managed appropriately;
  - (K) 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 in that evaluation;
  - (L) at least annually, formally reviewing the relationship with the external auditor;
  - (M) taking into account any FRC audit inspection findings and conclusions when monitoring the performance of the external auditor; and
  - (N) conducting the tender process for the external auditor and ensuring prior approval of non-

audit services is sought, considering the impact this may have on independence.

- 10.6 The Audit Committee shall 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, without executive directors or management being present, to discuss the auditor's remit and any issues arising from the audit.
- 10.7 The Audit Committee shall discuss with the external auditor the factors that could affect audit quality and 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.
- 10.8 The Audit Committee shall also:
- (A) review any representation letter(s) requested by the external auditor before they are signed by management;
  - (B) review the management letter and management's response to the auditor's findings and recommendations; and
  - (C) develop and implement 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.

#### Financial reporting

- 10.9 The Audit Committee shall monitor the Company's financial reporting process, and the integrity of the financial statements of the Company, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance as required. It shall review and report to the Board on significant financial reporting issues and judgments which the financial statements contain having regard to matters communicated to it by the external auditor. The Audit Committee shall also report to the Board of the outcome of the external audit process and provide an explanation of how the external audit process contributed to the integrity of financial reporting and the Audit Committee's role in that process.
- 10.10 The Audit Committee shall, through reports from the executive management and the external auditors to the Audit Committee, consider (and challenge where necessary):
- (A) the consistency of, and any changes to, significant accounting and treasury policies on a year on year basis, across the Company and the Group;
  - (B) compliance with legal, regulatory and statutory requirements;
  - (C) compliance with the requirements of any body by which the activities of the Group or its subsidiaries are regulated;
  - (D) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (E) the appropriateness of accounting policies selected, the consistency with which they are applied and any changes in significant accounting policies and practice both on a year-on-year basis and across the Company/Group;
  - (F) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor;
  - (G) the appropriateness of the material judgments and estimates made in the course of

preparation of the accounts taking into account the views of the external auditor;

- (H) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- (I) all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management;
- (J) significant adjustments resulting from the audit;
- (K) the going concern assumption;
- (L) the Group's viability statement and provide recommendations to the Board; and
- (M) the Committee shall monitor the statutory audit of the annual and half yearly reports, in particular, the performance of the statutory audit, taking into account any findings and conclusions by the Financial Reporting Council.

10.11 The Audit Committee shall assess the effectiveness of the Group's financial reporting procedures.

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

10.13 The Audit Committee shall consider any issues raised by executive management and the external auditors relating to the interim review and year end audits, and any matters the external auditors may wish to discuss (in the absence of management where necessary).

#### Internal audit

10.14 The Audit Committee shall monitor and review the effectiveness of the activities of internal audit.

10.15 The Audit Committee shall:

- (A) approve the appointment or termination of appointment of the internal auditor;
- (B) review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, ensuring that it is appropriate in the context of the Group's overall risk management system and the current needs of the organisation and annually approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfill its mandate, ensure that there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (C) ensure the internal auditor has direct access to the board Chair and to the Chair, providing independence from the executive, and accountability to the Audit Committee;
- (D) review and assess the annual internal audit work plan particularly ensuring it provides sufficient coverage of regulatory risk matters and is aligned to the key risks of the business. The Committee may also request changes in the plan and request additional reviews by the internal audit function as it sees fit;
- (E) receive a report on the results of the internal auditor's work on a periodic basis;
- (F) consider the findings of internal investigations and review and monitor management's

responsiveness to the findings and recommendations to the internal audit function;

- (G) meet the Head of Internal Audit at least once a year, without management present, to discuss their remit and any issues arising from the internal audit reviews;
- (H) review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- (I) monitor and assess the role and the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor;
- (J) consider whether an independent, third party review of processes is appropriate; and
- (K) ensure that material issues arising from the work of the internal audit function relating to matters that fall within the scope of other committees are communicated to those committees.

10.16 The Audit Committee shall consider any statements or reports presented to the Audit Committee (whether issued internally or by external bodies, including regulatory bodies, external auditors, consultants, advisers or other persons) relating to any regulatory or supervisory investigations, enquiries, visits or other regulatory or compliance-related matters and the appropriateness of management's response (if any is required).

10.17 The Audit Committee shall carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:

- (A) meet with the head of internal audit function without the presence of management to discuss the effectiveness of the function;
- (B) review and assess the annual internal audit work plan;
- (C) receive a report on the results of the internal auditor's work;
- (D) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
- (E) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.

#### Narrative reporting

10.18 The Audit Committee should review the content of the annual report and accounts and provide advice to the Board on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the UK Corporate Governance Code.

#### Effectiveness of internal controls and risk management systems

10.19 The Audit Committee shall keep under review the Group's systems of internal control (including financial, operational and compliance) and risk management; and reviews, on behalf of the Board, the adequacy and effectiveness of all aspects of the Group's systems of internal controls (including financial, operational and compliance) and risk management;

10.20 The Audit Committee shall review and approve the statements to be included in the annual report concerning:

- (i) the principal risks facing the Group and how they are being managed;
- (ii) the assessment of the Company's prospects; and
- (iii) internal controls and risk management including the effectiveness of such internal controls and risk management systems.

10.21 The Audit Committee shall exercise its internal control and risk management role through the reports it receives from the internal and external auditor, consultants, from the Group Chief Risk Officer and from the Group Chief Financial Officer and other executive management.

## 11. Reporting responsibilities

11.1. The Chair shall report 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. This report shall include:

- (A) the significant issues that it considered in relation to the financial statements and how these were addressed;
- (B) the assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor including the approach taken to such appointment or reappointment, information on the length of tenure of the current audit firm and when a tender was last conducted and provide advance notice of any retendering plans; and
- (C) any other issues on which the Board has requested the Audit Committee's opinion.

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

11.3 The Audit Committee shall produce an annual report on its activities to be included in the Company's annual report. The report should include:

- (A) the significant issues that the Audit Committee considered in relation to the financial statements, and how these issues were addressed, having regard to matters communicated to it by the auditor;
- (B) an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, and information on the length of tenure of the current audit firm and when a tender was last conducted;
- (C) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded;
- (D) all other information requirements set out in the UK Corporate Governance Code; and
- (E) make any statement of compliance required by law or regulations.

11.4 In compiling the reports referred to in 11.1 and 11.3, the Audit Committee should exercise judgment 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 and the input to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

**12. Other matters**

## 12.1. The Audit Committee shall:

- (A) have access to sufficient resources in order to carry out its duties including access to the Company Secretary 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 ongoing basis for all members;  
  
give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure, Guidance and Transparency Rules sourcebook and any other applicable rules and guidance, as appropriate;
- (C) have regard to the relevant EU and national legislation on mandatory firm rotation for the statutory auditor of public interest entities;
- (D) be responsible for co-ordination of the internal and external auditors;
- (E) oversee any investigation of activities which are within its terms of reference;
- (F) work and liaise as necessary with all other Board committees; and
- (G) arrange for periodic reviews 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.

These terms of reference were reviewed and approved by the Board on 2 March 2021.