

ARBUTHNOT BANKING GROUP PLC
AUDIT COMMITTEE TERMS OF REFERENCE

Composition	All members of the Committee must be Non-Executive Directors
Membership	Mr. I.A. Dewar, Chairman Sir Christopher Meyer Sir Alan Yarrow
Quorum	Two members; in the event of a disagreement, no member shall have a casting vote and the item in question will be deferred to the next meeting at which there are three members present.
Invitees	As decided by the Chair of the Committee but to include the Head of Internal Audit, Arbuthnot Latham & Co., Limited (“AL”) and, from time to time, the external auditors.
Attendees	Group Chairman & CEO, Group Chief Operating Officer, Group Finance Director, Group Head of Corporate Governance and Company Secretary.
Frequency of Meetings	<p>The Committee will normally meet four times each year with the external auditors Mazars present on at least three occasions. The Company’s internal and external auditors shall have a right of direct access to the Chairman of the Committee at all times.</p> <p>At least once a year the Chairman of the Committee will invite the external auditors and the internal auditors to meet the Committee without any member of the Executive being present.</p>
Authority	<p>The Board of Arbuthnot Banking Group PLC (the “Company”) authorises the Audit Committee, within the scope of its responsibilities, to</p> <ul style="list-style-type: none">• Obtain any information it requires from any employee or external party;• Obtain outside legal or other professional advice, subject to reasonable costs;• Require the attendance of company officers at meetings as appropriate;• Conduct or authorise any investigation into matters within its scope of responsibility;• Invite tenders for the provision of audit services and decide the frequency of any such invitation to tender; and• Resolve any disagreements between external / internal auditors and management. <p>The Committee will keep the Group Chairman & CEO fully informed of significant issues.</p>
Purpose	The purpose of the Audit Committee is to oversee the financial reporting process and external audit thereof, the appropriateness and effectiveness of systems and controls and the work of Internal Audit, AL in reviewing applicable risk management, governance and systems of internal control.

The Committee's responsibilities are to:

- Review arrangements established by management for compliance with financial reporting requirements;
- Monitor the integrity of the statutory accounts and other financial statements and formal announcements relating to the Company's financial performance, focusing particularly on:
 - critical accounting policies and practices and any changes to them;
 - matters of judgement or requiring subjective review or consideration;
 - significant adjustments resulting from the audit;
 - the going concern assumption and the long term viability of the Company;
 - compliance with accounting standards, UK Listing Authority, AIM and NEX requirements and company law;
 - the clarity of disclosures; and
 - whether the annual report and accounts taken as a whole are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.
- Oversee the work of external auditors, specifically to:
 - Conduct the tender process;
 - review and approve the terms of their appointment, proposed audit scope and approach and monitor the performance of the external audit, including the auditors' independence, objectivity and effectiveness;
 - approve the external audit plan and oversee progress against it;
 - review the effectiveness of the external audit process, taking into consideration relevant UK professional and regulatory requirements;
 - ensure there is no restriction on the scope of the statutory audit, assessing the risk to the quality and effectiveness of the financial reporting process;
 - make recommendations on the auditors' appointment and dismissal;
 - approve the auditors' remuneration;
 - review the activities, findings (including accounting errors identified during the external audit), conclusions and recommendations of the external auditors;
 - obtain feedback about the conduct of the external audit from key people involved; and
 - develop and implement policy on the engagement of the external auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account the regulations and ethical guidance in this regard, and reporting to the board on any improvement or action required.

- Monitor and review the effectiveness of Internal Audit, AL, where applicable to the Company.
- Keep under consideration the need for internal audit work to be carried out specifically in relation to the Company, and on such occasions make the necessary arrangements.
- Commission, as appropriate, audit assignments to be conducted on its behalf.
- Review whistleblowing arrangements for employees to raise concerns in confidence.
- Review its own terms of reference and its effectiveness on an annual basis, and to recommend any changes to the Board.

Where such monitoring and review activities reveal cause for concern, or scope for improvement, it should make recommendation to the Board on action needed to address the issue or to make improvements.

The Audit Committee must have due regard to proportionality and cost effectiveness of all actions and measures proposed at all times.

Approved by the Board on 28 November 2019