

## FOXTONS GROUP PLC

(the "Company")

### AUDIT COMMITTEE TERMS OF REFERENCE

#### **1. MEMBERSHIP**

- 1.1. The committee shall comprise at least two members. Members of the committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the chairman of the Audit Committee.
- 1.2. All members of the committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience and the Audit Committee as a whole shall have competence relevant to the sector in which the Company operates. The chairman of the Board shall not be a member of the committee.
- 1.3. Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the Board, chief executive officer, other directors, the heads of risk, compliance and internal audit (if any) and representatives from the Group's finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4. The external auditor and the chief financial officer will be invited to attend meetings of the committee on a regular basis.
- 1.5. Appointments to the committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 1.6. The Board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting.

#### **2. SECRETARY**

- 2.1. 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 its business.

#### **3. QUORUM**

- 3.1. The quorum necessary for the transaction of business shall be two members. 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.

- 3.2. The members of the committee may meet for the despatch of business, adjourn and otherwise regulate meetings as they think fit. Without prejudice to the foregoing, all or any of the members of the committee may participate in a meeting of the committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A member of the committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.

#### **4. FREQUENCY OF MEETINGS**

- 4.1. The committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2. Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the Board, the chief executive officer, the chief financial officer, the external audit lead partner and the head of any internal audit function (if any).

#### **5. NOTICE OF MEETINGS**

- 5.1. Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members or at the request of the external audit lead partner or the head of any internal audit function if they consider it necessary.
- 5.2. 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, any other person required to attend and all other non-executive directors, 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.
- 5.3. The notice period set out in 5.2 may be reduced at the sole discretion of the committee chairman to whatever he/she considers appropriate.

#### **6. MINUTES OF MEETINGS**

- 6.1. The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2. Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the committee chairman.

#### **7. ANNUAL GENERAL MEETING**

The committee chairman should attend the annual general meeting of the Company to answer shareholder questions on the committee's activities.

## 8. DUTIES

The committee should carry out the duties below for the Company, its subsidiary undertakings and the Group as a whole, as appropriate:

### 8.1. Financial reporting

8.1.1. The committee shall monitor 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, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the external auditor.

8.1.2. In particular, the committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, significant accounting policies both on a year-on-year basis and across the Group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) any going concern assumptions;
- (e) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (f) all material information presented with the financial statements, such as the business review, the corporate governance statements relating to the audit and to risk management, and the section of the Annual Report which describes the role and responsibilities of the committee and the actions taken by the committee to discharge those responsibilities.

8.1.3. The committee shall review any other statements requiring board approval which contain financial information first, where to carry out a review prior to board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

8.1.4. 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.

## 8.2. Narrative reporting

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 and performance, business model and strategy, and whether it informs the Board's statement in the annual report on these matters that are required under the UK Corporate Governance Code.

## 8.3. Internal controls and risk management systems

The committee shall:

- 8.3.1. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management policies and systems;
- 8.3.2. review the Group's processes and procedures for ensuring that material risks are properly identified, assessed, managed and reported and that appropriate systems of monitoring and control are in place; and
- 8.3.3. review and approve the statements to be included in the Company's annual report concerning internal controls and risk management.

## 8.4. Compliance, whistleblowing and fraud

The committee shall:

- 8.4.1. receive regular reports on significant litigation and compliance issues involving the Group;
- 8.4.2. review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.4.3. review the Group's procedures for detecting fraud;
- 8.4.4. review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.4.5. review reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Group's anti-money laundering systems and controls; and
- 8.4.6. review reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Group's compliance function.

#### 8.5. Internal audit

The committee shall review annually whether and in what form the Company will have an internal audit function and make an appropriate recommendation to the Board.

#### 8.6. External audit

The committee shall:

- 8.6.1. consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, reappointment and removal of the Company's external auditor and in the event of a resignation of the External Auditor investigate the issues surrounding this and whether any further action is required;
- 8.6.2. ensure that at least once every ten years the audit services contract is put out to a competitive tender process (with at least two auditors invited to bid) in order to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms. In respect of such tender, conduct the selection process ensuring that the tendering firms have such access as is necessary to information and individuals for the duration of the process and, following completion of the process, make appropriate recommendations to the Board. The committee shall also ensure that the Company complies with any statutory requirements regarding the mandatory rotation of auditors;
- 8.6.3. oversee the relationship with the external auditor including (but not limited to):
  - (a) the approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (b) influencing the appointment of the audit engagement partner;
  - (c) ensuring rotation of the audit engagement partner after five years, with the flexibility of an additional two years if it is considered necessary to maintain audit quality and the extension is disclosed to shareholders;
  - (d) negotiating and agreeing their remuneration and considering at least annually 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;
  - (e) monitoring and assessing at least annually their independence and objectivity taking into account relevant UK professional and regulatory requirements, the Ethical Standard and the

relationship with the auditor as a whole, including the provision of any non-audit services;

- (f) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements and assess these in the context of relevant legal, professional and regulatory requirements, guidance and Ethical Standard; and
  - (g) approving a policy on the employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements and monitoring compliance. The approval of the chairman of the Audit Committee shall be required to any appointment in a senior position of a former employee of the Company's external auditor;
- 8.6.4. meet regularly with the external auditor and at least once a year, without management being present, discuss the auditor's remit and any issues arising from the interim review and year end audits;
  - 8.6.5. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
  - 8.6.6. review the findings of the audit with the external auditor and any matters which the external auditor or the Board may wish to discuss including, but not limited to, discussion of any major issues which arose during the audit; key accounting and audit judgements; levels of errors identified during the audit; and the effectiveness of the audit;
  - 8.6.7. review the management letter and management's response to the auditor's findings and recommendations;
  - 8.6.8. review any representation letter(s) requested by the external auditor before it is signed by management;
  - 8.6.9. develop, implement and oversee a policy on the supply of non-audit services to the Group by the external auditor, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account relevant guidance, and reporting to the Board on any improvement or action required; and
  - 8.6.10. consider annually the effectiveness of the external audit process.

## **9. REPORTING RESPONSIBILITIES**

- 9.1. The committee chairman 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. This report shall include:

- 9.1.1. the significant issues that it considered in relation to the financial statements and how these were addressed;
  - 9.1.2. its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - 9.1.3. any other issues on which the Board has requested the committee's opinion.
- 9.2. The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
  - 9.3. The committee shall compile a report on its activities to be included in the Company's annual report. The report should include 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 external auditor, and all other information requirements set out in the UK Corporate Governance Code.
  - 9.4. In compiling the reports referred to in 9.1 and 9.3, 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

## **10. OTHER MATTERS**

The committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the company secretariat and any employees of the Group for assistance as required;
- 10.2. 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;
- 10.3. 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, Prospectus, and Disclosure and Transparency Rules and any other applicable rules, as appropriate; and give due consideration to the recommendations and requirements of any body which regulates the activities of the Group;
- 10.4. be responsible for co-ordination of the external auditors and any internal audit function;

- 10.5. oversee any investigation of activities which are within its terms of reference;
- 10.6. work and liaise as necessary with all other Board committees; and
- 10.7. 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.

## **11. AUTHORITY**

The committee is authorised to:

- 11.1. seek any information it requires from any employee or contractor of the Group in order to perform its duties;
- 11.2. obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter where it believes it is necessary to do so;
- 11.3. call any employee to be questioned at a meeting of the committee as and when required; and
- 11.4. have the right to publish in the Company's annual report details of any issues that cannot be resolved between the committee and the Board.

## **12. APPROVAL**

These terms of reference were adopted by the Board on 4 September 2013 and were updated on 25 July 2019.