

Audit committee – Terms of reference

Applicable to our regulated entities¹ and, to Nucleus Financial Platforms Limited (as a) the UK parent entity of our FCA investment firm group² and b) the UK parent entity of other group subsidiaries below it) and its subsidiary undertakings (together the "Group").

The audit committee should carry out its duties for the Group as a whole (as appropriate) (8)

Adopted by resolution of the directors passed on 30 November 2022

¹ IPS Pensions Limited, James Hay Administration Company Limited, James Hay Wrap Managers Limited, Nucleus Financial Services Limited and The IPS Partnership plc

² Nucleus Financial Platforms Limited, James Hay Holdings Limited, IFG UK Group Holdings Limited, Nucleus Financial Limited, James Hay Wrap Managers Limited, Nucleus Financial Services Limited and James Hay Partnership Management Limited

Audit committee - Terms of Reference

1. Introduction

The principal purposes of these terms of reference are:

- 1.1 to give additional assurance regarding the integrity, quality and reliability of financial information used by the Board (as defined below) and financial statements issued by the Group;
- 1.2 to maximise the efficiency and effectiveness of the Group's internal and external audit arrangements, including CASS; and
- 1.3 to assist the Board in fulfilling its oversight responsibilities for the Group, specifically in relation to financial reporting and internal financial controls.

2. Membership

- 2.1 The audit committee (the "**Committee**") shall be appointed by the Group's board of directors (the "**Board**"), on the recommendation of the nomination committee in consultation with the Committee chair and with the consent of Plutus Topco Limited as provided for under the Operating Agreement dated 21 September 2022 between Plutus Topco Limited and Nucleus Financial Platforms Limited). The Committee shall be made up of at least two non-executive directors, at least one of whom should be independent.
- 2.2 The Committee members are expected to be financially literate and at least one Committee member must have substantial accounting competence, or recent and relevant financial management experience and expertise. The chair of the Board may be a member of, but may not chair, the Committee.
- 2.3 The Committee chair shall be appointed by the Board, subject to the consent of Plutus Topco Limited. 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.
- 2.4 The company secretary or their nominee 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 issues.

3. Attendance at meetings

- 3.1 Only members of the Committee have the right to attend Committee meetings.
- 3.2 The chief executive officer, the chief finance officer, internal and external auditor and the chief risk officer are expected to attend meetings. Other executives and external advisers may be invited to attend for all or part of any meeting as and when appropriate.
- 3.3 The internal audit provider will attend to present a report on their opinion on the adequacy of risk management and internal financial controls.
- 3.4 The quorum necessary for the transaction of business at a Committee meeting shall be two members. A duly convened Committee meeting 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.

4. Frequency and format of meetings

- 4.1 The Committee shall meet as often as circumstances dictate, but at least four times a year and at appropriate times in the Company's reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee chair will maintain a dialogue with key individuals involved in the Group's governance, including the chair of the Board, the chief executive officer, the chief financial officer, the chief risk officer, the company secretary and internal and external audit providers.
- 4.3 The Committee has the prerogative to, and should, meet with management, the internal audit provider and external auditors on a regular basis at separate executive sessions.
- 4.4 A timetable of business is established once per year.

5. Notice of meetings

- 5.1 Committee meetings shall be called by the secretary at the request of the chair or by a Committee member, the chief executive or chief finance officers as appropriate or at the request of the external auditor if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each Committee meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each Committee member, any other person required to attend, all other non-executive directors and to each Institutional Director (with the meaning given to it in the Operating Agreement) and Plutus Topco Limited, no later than five working days before the date of the meeting or as soon as practicable. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings and resolutions of all Committee meetings, including recording the names of those present and in attendance.
- 6.2 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3 Draft minutes of Committee meetings shall be circulated promptly to all Committee members, each Institutional Director and Plutus Topco Limited and, once agreed, minutes may, on request by the Board, be tabled at subsequent Board meetings.

7. Authority

- 7.1 The Committee is authorised by the Board to investigate any matter within its terms of reference and to seek any information it requires from any Group employee in order to perform its duties. All employees are directed to co-operate (if required, on a confidential basis) with any request made by the Committee;
- 7.2 The Committee is authorised by the Board, within the budget set by the Board, to obtain outside consultancy, legal, accounting or other independent professional advice at the cost of the Group.
- 7.3 The Committee's terms of reference may be amended as required, subject to the approval of the Board and the consent of Plutus Topco Limited.

8. Duties

The Committee is a sub-committee of the Board and acts to assist the Board in fulfilling its oversight responsibilities of the Group. The specific duties of the Committee shall be those set out in paragraphs 9 to 11 and shall be carried out for the Group as a whole, as appropriate and with due regard to regulatory requirements and the Operating Agreement.

9. Financial reporting

- 9.1 The Committee shall monitor the integrity of, and make recommendations to the Board concerning, the annual financial statements of Group companies, 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 auditor.
- 9.2 In particular, the Committee shall review and challenge where necessary:
 - 9.2.1 the suitability and consistency of, and any changes to, significant accounting policies and practices both on a year on year basis and across the Group in consideration of UK and (if applicable) internationally accepted practice and the appropriate EU adopted IFRS (International Financial Reporting Standards) and FRS101 accounting standards and legal framework;
 - 9.2.2 whether it is appropriate for the financial statements to be prepared on a going concern basis;
 - 9.2.3 whether the Group has followed appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor and any adjustments resulting from the external audit process;
 - 9.2.4 any opinion of the internal auditor/risk committee as to the adequacy of risk management and internal financial control procedures
 - 9.2.5 the methods used to account for significant or unusual transactions where different approaches are acceptable under IFRS;
 - 9.2.6 the valuation of assets and liabilities on the balance sheet, including any value placed on goodwill and unlisted investments;
 - 9.2.7 financial exposures, including any outstanding litigation matters, claims against the firm or any other liabilities or contingent liabilities, including unrealised taxation balances;
 - 9.2.8 the effect and disclosure of any significant off-balance sheet transactions and post-balance sheet events;
 - 9.2.9 the reasonableness of the tax calculation and corresponding provisions;
 - 9.2.10 the effect of significant internal control breakdowns on financial statements;
 - 9.2.11 the impact of any proposed dividend;
 - 9.2.12 the clarity and completeness of disclosure in the Group's financial statements and the context in which statements are made in support of the financial position and prospects of the Group, including their adequacy in consideration of statutory solvency requirements, going concern and any existing non-current liabilities;
 - 9.2.13 all material non-financial information presented with the financial statements, such as the strategic report, directors' report and section 172 statement; and
 - 9.2.14 any forward looking financial reports including future cash flows and working capital requirements used to reach a conclusion on the going concern of the Group or in support of the future solvency and liquidity position of the Group.
- 9.3 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board.

10. Narrative reporting

The Committee should review the content of the annual report and financial statements of Group companies 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 performance, business model and strategy of the relevant Group entity.

11. Line 1

The Committee shall review any first line reports it sees fit to effectively discharge its responsibilities. In particular the Committee shall review the NFS and JHP CASS oversight function holders report.

12. Internal audit

The Committee shall:

- 12.1 monitor and review the effectiveness of the Group's internal audit strategy and model in the context of the Group's overall risk management system;
- 12.2 approve the appointment, reappointment and removal of the Group's internal audit provider at appropriate intervals, given due consideration of expertise, independence, fees, reputation, effectiveness and capacity;
- 12.3 consider and approve the remit of the internal audit provider and ensure it has adequate resources and appropriate access to information to enable it to perform its role and mandate effectively and in accordance with the Group's internal audit charter and the relevant professional standards for internal auditors. The Committee shall also ensure that its internal audit provider has adequate standing and is free from management or other restrictions;
- 12.4 review and approve the annual internal audit plan and charter to ensure it is aligned to the key risks of the business;
- 12.5 review promptly all reports on the Group from the internal audit provider;
- 12.6 review and monitor management's responsiveness to and remediation of any internal audit findings and recommendations of the internal audit provider;
- 12.7 the Chair of the audit committee in their role as SMF11 shall meet the internal audit provider's engagement partner at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out;
- 12.8 have the ability to request a private session with the internal auditor at any Committee meeting; and
- 12.9 support the audit committee chair to ensure the internal audit provider has a right of direct access to the chair of the Board and to the Committee, and shall be accountable to the Committee.

13. External audit

Pursuant to its delegated authority from the Board and these terms of reference in respect of external statutory audit and the arrangement of any required external specialist audits, including CASS, the Committee shall:

- 13.1 consider and make recommendations to the Board, in relation to the appointment, re-appointment and removal of the Group's external statutory auditor and any external specialist audit provider (including CASS) based on due consideration of expertise, independence, fees, reputation, effectiveness and capacity, subject to the consent of Plutus Topco Limited;
- 13.2 ensure as appropriate that the audit services contract is put out to tender at least on a ten year cycle to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender the Committee shall oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;

- 13.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 13.4 oversee the relationship with the external statutory auditor and any external specialist audit provider (including CASS) including (but not limited to):
 - 13.4.1 approval of their remuneration (whether fees for audit or non-audit services) and that the level of their fees is appropriate to enable an effective and high quality audit to be conducted;
 - 13.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 13.4.3 assessing annually their approach to materiality, independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - 13.4.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) or any other matter between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - 13.4.5 monitoring the auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements;
 - 13.4.6 assessing annually the qualifications, expertise and resources of the auditor and the quality and effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - 13.4.7 seeking to ensure co-ordination with the activities of the internal audit and any other assurance provider; and
 - 13.4.8 evaluating the risks to quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the Group's external auditor from the market in that evaluation.
- 13.5 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 Chair 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;
- 13.6 have the ability to request a private session with the external auditor at any Committee meeting;
- 13.7 review and approve the annual audit plan, including any proposed specialist third party audit plan, and ensure that it is consistent with the scope of the relevant audit engagement, having regard to the seniority, expertise and experience of the relevant audit team;
- 13.8 review the findings of the statutory audit and any specialist external audit with the relevant audit provider. This shall include but not be limited to, the following:
 - 13.8.1 the discussion of any major issues or difficulties which arose during the audit, including any control weaknesses and/ or failures;
 - 13.8.2 key accounting and audit judgements;
 - 13.8.3 levels of errors identified during the audit; and
 - 13.8.4 the effectiveness of the audit;
- 13.9 review and approve any representation letter(s) requested by the external auditor before they are signed by management;
- 13.10 review the management letter and management's response to and remediation of the auditor's findings and recommendations; and

- 13.11 seek the approval of the Board in respect of the supply of non-audit services by the external auditor, taking into account Group policy and any relevant ethical guidance on the matter.

14. Reporting procedures

- 14.1 The Committee chair shall report formally to the Board on proceedings of the Committee after each meeting and on all matters within its duties and responsibilities. This shall include:
 - 14.1.1 the significant issues that it considered in relation to the financial statements of the Group and how these were addressed;
 - 14.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
 - 14.1.3 any other issues on which the Board has requested the Committee's opinion.
- 14.2 The Committee shall make whatever recommendations to the Board it deems appropriate in any area within its remit where action or improvement is needed.

15. Other matters

The Committee shall:

- 15.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 15.2 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. Committee members are encouraged to enhance their familiarity with relevant finance, compliance and information systems by participating in educational programmes arranged by the Group;
- 15.3 give due consideration to the FCA Handbook Rules and any other laws and regulations and associated guidance (so far as is considered relevant and applicable to the Group);
- 15.4 be responsible for co-ordination of the external auditors;
- 15.5 work and liaise as necessary with all other board committees; and
- 15.6 periodically review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.