



Grant Thornton UK LLP

Audit Quality Board -Terms of Reference

The AQB shall provide independent oversight on all matters of audit quality with the objective of making the production of high quality audit work sustainable.

Functions of the AQB

The AQB will:

- 1 Oversee the firm's leadership focus on audit quality and have oversight of the firm's audit strategy to ensure it is consistent with the objective above. If it sees any potential inconsistency it will raise this with both the SLT and PGB;
- 2 Ensure the maintenance of a proper "tone at the top" focussed on audit quality by the Firm's leadership;
- 3 Ensure adequate investment and resources are available for the audit practice to deliver the firm's audit strategy;
- 4 Ensure the primary measure of audit partner performance being quality, versus revenue growth or profitability. Further to ensure that partners/staff in the audit practice are not incentivised for sales passed to other parts of the firm;
- 5 Oversee the proposals made for partner promotions by the audit leadership team to ensure they align to the objective above;
- 6 Ensure the audit practice's remuneration and bonus systems' alignment with quality and positive leadership behaviours and those auditors who are responsible for the highest profile and highest risk engagements are compensated at levels that recognise that contribution and the quality of what they deliver;
- 7 Ensure the audit practice retains appropriate and sufficient access to specialists in accordance with the firm's audit strategy;
- 8 Ensure the firm maintains appropriate independence monitoring procedures and due consideration of channel choice;
- 9 Ensure the firm's role in anticipating and responding to national developments driven by regulators or others.

For the avoidance of doubt, the AQB will not be involved in setting the pay, quality gradings etc of any individual person in the firm but confine their discussions to the oversight and governance of the processes.

The AQB will receive regular reports about audit quality directly from the Head of Audit and maintain a direct line of communication with the Head of Audit in order to fully inform the AQB about quality matters as it (the AQB) carries out its work.

The AQB will provide challenge and hold accountable the Head of Audit as to:

- i audit quality indicators that will be tracked, and
- ii general advice regarding quality.

The Chair of the AQB (and any other Audit Non Executive) will have access to the firmwide CEO to ensure they can gather information regarding the balance between the Firm's commercial and public interests and make recommendations to the SLT to maintain and improve audit quality.

The Chair of the AQB will meet periodically with the Public Interest Committee (PIC) regarding the above assessments and any related recommendations for maintaining and improving audit quality.

The AQB will ensure that the Head of Audit and the SLT implement the recommendations of the Public and Private Reports of the Financial Reporting Council, and any other regulatory body as regards the question of audit quality.

Membership of the AQB

Membership shall be subject to the terms of the Audit Market Supervisory Approach (AMS) though nominations proposed by the Head of Audit and subject to ratification by the AQB. The members shall serve until such member's successor is duly appointed or until such member's earlier resignation or removal from the AQB. Each member of the AQB will be assessed before being renewed for an additional term. An independent member of the AQB may be removed by a majority vote of the PGB. The members of the AQB are the firm's CEO, the Head of Audit, the Head of Technical & the Audit COO.

Members may resign with thirty-day's written notice to the Chair of the AQB. At all times, current and former members shall remain subject to the confidentiality provisions and restrictive covenants of the Membership Agreement of the Firm.

There will be up to four observers from the practice who attend AQB meetings – the term for these individuals will not exceed four years, with the option to extend for a further two years. The process for appointing new observers to the AQB is covered by a separate document to the ToR.

The Chair of the AQB will be an independent non executive and will not chair any other governance body in the firm. An additional ANE may be recruited, either singly or doubly independent. At least one ANE will have experience of audit at an appropriate level of seniority, either as a former auditor or consumer of audit services.

Chair

The Chair will chair all regular sessions of the AQB and set the agendas for AQB meetings. In the Chair's absence the Head of Audit shall chair meetings until such time as an additional Audit Non Exec has been appointed at which point that individual will chair all regular sessions of the AQB in the Chair's absence. The meeting shall be quorate if the Chair and at least two members of the AQB are in attendance.

Meetings and attendance

The AQB shall meet monthly, or more frequently as circumstances may dictate with there to be at least 10 meetings per annum. The Chair or a majority of the members of the AQB (in the Chair's absence) may call a special meeting of the AQB. Members should attend meetings in person or virtually. Travel costs will be reimbursed in accordance with the Firm's policies.

The AQB may invite to its meetings any member of the Firm's management or other such persons as it deems appropriate in order to carry out its responsibilities.

A secretary will be appointed to the AQB to maintain minutes. Minutes shall be circulated to the SLT and the Risk and Audit Committee and other such bodies established by the Firm for the purposes of governance and oversight.

Relationship to the PGB

The Chair of the AQB shall meet periodically with the PIC and the PGB to discuss any relevant recommendations for improvement.

AQB Member Remuneration

The PGB shall determine the independent AQB's members' remuneration.

Annual review of terms of reference

The AQB shall review and reassess annually these Terms of Reference and make any recommendations as to changes to the PIC and PGB for approval.