

# Grant Thornton UK Advisory and Tax LLP ('GTUKA&T LLP') and Grant Thornton UK LLP ('GTUK LLP')

## Risk and Audit Committee (the 'Committee' or the 'RAC')

### Terms of Reference

#### Purpose

The purpose of the RAC is to oversee Grant Thornton UK's financial reporting, internal controls and risk management, internal audit function and external audit process.

#### Membership

The Committee shall consist of a non-executive Chair as appointed by the Investor Directors, up to three Investor Directors and two Partner Representatives, who may appoint one person from (a) or (b) below in their place:

- a) a member of the Audit Oversight Board ('AOB'), who has insight into how the Audit Practice assesses the system of internal control as relevant to audit as required by ISQM1; and
- b) a partner of GTUKA&T LLP, the Advisory and Tax Practice, who has oversight over the controls which do not fall within the scope of ISQM1.

The relevant Partner Representative<sup>1</sup> (who can continue to attend meetings as a non-voting observer) shall notify the Committee of any such appointment, and the identity of the person being appointed.

Other members as agreed between the Investor and the Partner Representatives may also be appointed.

#### Meetings

##### Quorum

The quorum shall be at least two members of the Committee (or a representative alternate) provided that at least one of the two members present is a Partner Representative (or their appointed alternate).

##### Frequency of meetings

The Committee shall meet at least four times per annum at appropriate times in the reporting and audit cycle and at such other times as it sees fit.

Outside of the formal meeting programme, the Chair of the Committee and to the extent considered necessary or appropriate other members of the Committee, will engage with key individuals in relation to the Firm's management of risk and governance.

##### Attendees

Only members of the Committee have the right to attend meetings. The CEO, the Head of Quality and Risk (or equivalent), and the Head of Internal Audit (or their designates) shall be entitled to attend meetings as observers in a non-voting capacity and shall not form part of the quorum. Other individuals such as members

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<sup>1</sup> Partner Representatives means together, the Senior Partner and the elected Partner Representative (each a Partner Representative)

of the Strategic Leadership Team (SLT), members of the Quality and Risk teams, and members of the Legal and Finance functions may be invited to attend in a non-voting capacity all or part of any meeting as and when appropriate.

The Ethics Partner should attend at least annually, and the head of any Service Line in the business should attend from time to time, as well as anyone who has received an invitation from the Committee, in each case in a non-voting capacity.

The firm's external auditors will be invited to attend meetings of the Committee as and when appropriate and as necessary.

In the absence of the Chair of the Committee and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the relevant meeting.

The Secretary to the Board shall act as the Secretary of the Committee.

#### Notice and minutes

Meetings of the Committee may be called by any member of the Committee, the CEO (or their designate), or at the request of the external auditors if they consider it necessary. Notice of each meeting confirming the venue, time, and date, together with an agenda of items to be discussed, shall be made available to each member of the Committee. Supporting papers will be made available in electronic form to Committee members and to other attendees as appropriate.

## Duties

The Committee shall carry out the following duties:

#### Financial reporting

The Committee will review and challenge where necessary, the actions and judgments of management in relation to the annual financial statements of the Grant Thornton UK LLP's (co-ordinating with the AOB of GTUK LLP as appropriate in respect of its financial statements) before the respective approvals and/or sign offs (as set in the respective Membership Agreements) are sought, paying particular attention to:

- the consistency of, and any changes to, accounting policies on a year-on-year basis;
- the methods used to account for significant or unusual transactions where different approaches are possible and how they are disclosed;
- whether the Firm have followed appropriate accounting standards and made appropriate estimates and judgements, considering the views of the external auditor. This will include a review of the significant estimates and judgements within the accounts as prepared by management;
- the clarity of disclosure (including those that are climate-related) in the firms' financial reports and the context in which statements are made;
- all material information presented with the financial statements, such as the CEO report and the Transparency Report (insofar as it relates to the activities of the Committee); and
- the basis for the going-concern statement to be included in the annual report.

The Committee will:

- at least annually, review (co-ordinating with the AOB as appropriate) the internal control systems (which shall include annual reporting on ISQM1 as overseen by the AOB) on behalf of, and then report to, the Board, and review the policies and process for identifying and assessing the risks and the management of those risks by the firms;
- ensure management has adequately considered the key risks to the Firm and has developed appropriate alternative strategies including response to changes in macro-economic, political and environmental conditions and response to pressures in the labour market;
- at each meeting, consider and discuss the latest reports from the Head of Quality and Risk (or equivalent), in respect of any matters relating to quality, risk and reputation and receive information on the follow-up of actions arising from the report which include quarterly updates on the Whole Firm Risk Profile and annual assessment of Principal Risks;
- receive regular reports from the Firms' General Counsel (or equivalent) on legal and/or reputational matters;
- at least annually, receive an update from the Ethics Partner on the performance of the Ethics function;
- ensure management has robust processes in place for PI cover (and any other material business policies and/or insurances which the Board and/or the CEO determine to be fundamental to the protection of the Firm) for the Firm (co-ordinating with the AOB as appropriate in respect of the Audit Practice);
- on a quarterly basis, receive a report on the Firm's management of cybersecurity and data governance risks and also receive minutes of meetings of the Information Security Management System (ISMS) management team, and the Data Governance Board (DGB); and
- co-ordinate with the AOB as required on their activities as related to the oversight of risk related or internal control matters that impact / have the potential to impact audit quality, the public interest, or the sustainability and/or reputation of the audit practice.

#### Internal Audit (IA)

The primary reporting line of IA is to the RAC for accountability, direction and independence purposes.

The Committee will:

- monitor and review the effectiveness of the firm's IA function in the context of the Firm's overall risk management systems;
- consider and approve the remit of the IA function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management or other restrictions;
- review and assess the annual IA plan;
- review the effectiveness of the IA function from time to time and conduct an independent review at least every five years;

- review all reports addressed to the Committee from the Head of Internal Audit;
- review and monitor management's responses to the findings and recommendations of the IA function;
- meet the Head of Internal Audit at least once a year without any members of management who are not a member of the Committee but ordinarily attend such meetings being present, to discuss the IA function and any issues arising from the internal audits carried out. In addition, the Head of Internal Audit shall be given the right of direct access to the Chair of the Committee and review the Internal Audit Charter annually; and
- co-ordinate with the AOB as required as to their activities in relation to their oversight of IA matters that impact/have the potential to impact audit quality, the public interest, or the sustainability, liquidity and/or reputation of the audit practice.

The Committee requires the SLT or the relevant SLT members to:

- share risk assessments for the RAC's consideration;
- provide commentary to the RAC on IA's proposed scope of work for their information and consideration; and
- review IA reports and provide management commentary for the RAC's consideration.

#### **External Audit**

The Committee will (in co-ordination with the AOB where appropriate in respect of the procedures for the external audit of GTUK LLP as set out in the GTUK LLP's Membership Agreement):

- oversee the selection process for a new auditor ensuring that all tendering firms have access to all necessary information and individuals during the tender process. If an auditor resigns, the Committee will investigate the issues leading to this and decide whether any action is required;
- oversee the relationship with the external auditor.

The Committee will also:

- review any representation letter(s) requested by the external auditor before they are signed by management;
- review the management letter and management's response to the external auditor's findings and recommendations; and
- co-ordinate with the AOB as required as to their activities in relation to the external audit procedure as applicable to GTUK LLP by virtue of the GTUK LLP's Membership Agreement.

#### **Connectivity with other governance bodies**

In order to enable oversight by the Committee of the Firm, the Committee will (at the discretion of, and as determined by, the Chair) co-ordinate on certain matters with (through such means as determined by the Chair) the AOB and Public Interest Committee (PIC) as required to ensure the Committee is able to discharge its responsibilities effectively. Such matters include (but are not limited to):

- the accounts and external audit;

- risk and resilience, including whole firm risks and internal controls; and
- whistleblowing, public interest, regulatory or reputational matters.

Furthermore:

- the Chair of the Committee will be a standing attendee (non-voting) of the PIC;
- the Independent non-executive members of the AOB and PIC have consultation rights with the Chair; and
- the Chair, and the Investor Directors, are also entitled to attend meetings of the AOB and its subcommittees (always in a non-voting capacity).

## Decision-making and reporting

Each member of the RAC shall have one vote on any resolution to be approved by the RAC.

Decisions of the RAC shall be taken by simple majority of the members present and the positive vote of at least one Investor Director member.

Members shall declare any potential conflicts annually and recuse themselves where appropriate.

Draft minutes of Committee meetings shall be made available promptly to all members of the Committee. Once approved, minutes will be provided to the Board.

The Chair of the Committee shall report to the Board (if necessary) on the Committee's proceedings after each meeting on all matters within its duties and responsibilities and will also formally report to the Board on how it has discharged its responsibilities.

The Chair of the Committee will attend a partners' meeting annually to answer any questions that may arise.

## Other matters

The Committee will maintain a forward-looking annual calendar to ensure coverage of all responsibilities.

Ensure or oversee compliance with laws and regulations, including any relevant provisions of the Audit Firm Governance Code as may be applicable to the work of the Committee.

The Committee should have access to sufficient resources and be provided with information of sufficient depth and quality in advance of, during, and in between meetings to enable it to carry out its duties.

Review at least bi-annually these terms of reference and its performance against these and recommend any amendments to these terms of reference it deems necessary to the Board.