

# CALEDONIAN TRUST

PLC

## TERMS OF REFERENCE – AUDIT COMMITTEE

### 1. Constitution

This audit committee is established by resolution of the board in accordance with the Articles of Association of the Company (“Committee”). In these terms of reference, “Group” means the Company and its subsidiaries from time to time.

### 2. Membership

2.1 The Committee shall consist of at least two directors as appointed by the board.

2.2 The chair of the Committee shall be appointed and removed by the board.

2.3 If executive directors serve on the Committee or are involved in advising or supporting the Committee, that role should be clearly separated from their role within the business and conflicts of interest should be recognised and avoided where possible.

### 3. Duties

The Committee shall carry out its duties for the Company and the Group and shall perform its duties taking into account all relevant laws, regulations and codes of practice. The duties of the Committee shall be:

3.1 To monitor the integrity of the financial statements of the Company and to review and challenge where necessary the financial statements, annual accounts and accompanying reports to shareholders and any other announcement regarding the Group’s results or other financial information to be made public with particular reference to:

3.1.1 Critical accounting policies, methodologies and practices and any changes to them;

3.1.2 Major judgemental decisions or areas;

3.1.3 Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Auditors;

3.1.4 The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;

3.1.5 The clarity and completeness of disclosures and the context in which statements are made;

- 3.1.6 Significant adjustments resulting from the audit;
- 3.1.7 The going-concern assumptions;
- 3.1.8 Compliance with applicable accounting standards; and
- 3.1.9 Compliance with legal requirements and all applicable codes of corporate governance practice;
- 3.2 To keep under review the consistency of, and changes to, accounting policies both on a year-to-year basis and across the Group;
- 3.3 To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 3.4 To reports its views to the board if it is not satisfied with any aspect of the proposed financial reporting by the Company;
- 3.5 To discuss whether the Committee should recommend that any financial statements and accompanying reports should be approved by the board in the board meeting following the Committee meeting and, if so, whether that approval should be granted subject to any matters discussed by the Committee;
- 3.6 To consider and make recommendations to the board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, reappointment and removal of the Auditors;
- 3.7 To ensure that at least once every 10 years the audit-services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent Auditors with those of other audit firms;
- 3.8 If the Auditors resign, to investigate the issues leading to this and decide whether any action is required;
- 3.9 To oversee the relationship with the Auditors including recommendations on their fees, approval of their terms of engagement and to assess annually their independence and objectivity; and
- 3.10 To ensure that its terms of reference are publicly available and include an explanation of its role and the authority delegated to it by the board.

#### **4. Authority**

- 4.1 The Committee may, at the expense of the Company, make such investigations and authorise such research as it considers desirable for the purposes of fulfilling its terms of reference.
- 4.2 The Committee may seek any information it requires from any employee of the Group in order to perform its duties.

- 4.3 The Committee may, at the expense of the Company, obtain internal or external legal advice or other independent professional advice on any matter within its terms of reference as it consider necessary.

**5. Reporting**

- 5.1 The Committee chair shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 5.2 The Committee chair shall attend the annual general meeting prepared to respond to any shareholder questions on the Committee's activities and responsibilities.