Deloitte.

Together makes progress

Audit and Risk Committee Terms of Reference

1. Background

1.1. The Audit and Risk Committee (the "Committee") is a committee of the Board appointed in accordance with the Deloitte LLP Partnership Agreement, as amended from time to time (the "Partnership Agreement"), and shall exercise its duties, powers and responsibilities as set out in the Partnership Agreement and as further described in these Terms of Reference.

1.2. These Terms of Reference should be read in conjunction with the Partnership Agreement. Expressions used but not defined in these Terms of Reference shall have the meanings given to them in the Partnership Agreement unless otherwise stated. In the event of any inconsistency or contradiction, the Partnership Agreement shall prevail.

2. Purpose

2.1. The Board has overall responsibility for the oversight of risk management but has delegated to the Committee the receipt of detailed reporting and certain related activities, as set out below.

3. Composition and Membership

3.1. The Members of the Committee shall comprise:

3.1.1. at least four; and

3.1.2. at least one Independent Non-Executive.

3.2. An Elected Board Member or Independent Non-Executive appointed to the Audit and Risk Committee:

3.2.1. shall, subject to remaining an Elected Board Member or Independent Non-Executive (as relevant), serve for such period as the Board may determine; and

3.2.2. may from time to time, subject to being an Elected Board Member or Independent Non-Executive (as relevant) at the relevant time, be reappointed for such period as the Board may determine.

3.3. The Chair of the Board shall appoint one of the Elected Board Members of the Committee to act as chair.

3.4. The quorum for any meeting of the Committee shall be not less than two-thirds of the total number of Members.

3.5. 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.

4. Powers and responsibilities

The Committee shall:

External audit

4.1. oversee the appointment, resignation or dismissal of the external auditor to the Firm;
4.2. discuss with the external auditor the nature and scope of the audit of the Firm's annual financial statements, as well as the scope of the work undertaken by the external auditor, or other audit firms, in other entities within the Firm's group structure;
4.3. review the independence and objectivity of the external auditor;
4.4. recommend the audit fee to the Board and pre-approve any fees in respect of non-audit services provided by the external auditor and ensure that the provision of non- audit services does not impair the external auditor's independence and objectivity;
4.5. review and consider the results and effectiveness of the external audit of the Firm's annual financial statements and any other assurance provided by the external auditor to the Firm;
4.6. periodically review and assess the performance of the external auditor;
4.7. consider communications from the external auditor on audit planning and findings and on significant weaknesses in accounting and internal control systems that came to the external auditor's attention;
4.8. discuss any difficulties, reservations or other matters arising from the external auditor's work (in the absence of management where necessary);
4.9. review, prior to its consideration by the Board, the external auditor's report to the partners and management's response;

External reporting

4.10. monitor the integrity of the financial statements of the Firm and any formal statements or announcements relating to its governance and financial performance;
4.11. oversee the preparation of, and discuss with management and the external auditor, the Firm's annual financial statements before submission to the Board, focusing particularly on:

4.11.1. the quality, acceptability and consistency of the accounting policies, the accounting reporting disclosures and any changes thereto;
4.11.2. methods used to account for significant or unusual transactions where different approaches are possible;
4.11.3. areas involving significant judgement, estimation or uncertainty;
4.11.4. material misstatements detected by the external auditor that individually or in aggregate have not been corrected and management's explanations as to why they have not been adjusted;
4.11.5. the basis for the going-concern assumption;
4.11.6. compliance with financial reporting standards and relevant financial and governance reporting requirements;
4.11.7. clarity of disclosures in the financial reports and the context in which statements are made;
4.11.8. regulation and compliance matters; and
4.11.9. all material information presented with the financial statements, such as the climate-related disclosures, operating and financial review and the corporate governance statement (insofar as it relates to audit and risk management);

ESG governance

4.12. oversee the Firm's ESG public reporting;
4.13. receive regular updates on ESG-related reporting matters;

Risk management and internal control

4.14. receive regular reports from the relevant internal stakeholders including, where relevant, the Firm's Quality Risk and Security leaders covering:
  4.14.1. service quality and risk management;
  4.14.2. regulatory compliance;
  4.14.3. business resilience, cyber and IT security and data privacy;
  4.14.4. contentious matters and risk financing;
  4.14.5. ethics, independence and conflicts;
  4.14.6. financial crime;
  4.14.7. portfolio risk review; and
  4.14.8. other ad hoc reports covering matters relating to risk management and internal control as the Committee may request from time to time and such other matters as the Board may request;

4.15. review:
  4.15.1. the framework, policies and overall process conducted by the Firm's management for identifying and assessing Enterprise Risks and managing their impact on the Firm,
  4.15.2. the Firm's Internal Audit Framework and its linkage to the Enterprise Risk Framework and Internal Audit's planning;
  4.15.3. the Firm's risk management policy;
  4.15.4. regular assurance reports from management of the Firm, the Firm's Internal Audit function, the external auditor and others, on matters related to risk management and internal control; and
  4.15.5. the timeliness of, and reports on, the effectiveness of corrective action taken;

4.16. consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct and management's response (in the absence of management where necessary); and
4.17. review any disclosure in the annual report or elsewhere about processes applied in relation to risk management, internal control and corporate governance.

Internal Audit function

4.18. monitor and review the effectiveness of the Firm's Internal Audit function;
4.19. oversee the appointment, resignation or dismissal of the head of the Internal Audit function;
4.20. review and discuss with the head of the Internal Audit function, the scope of work of the Internal Audit function, its plans, the issues identified as a result of its work and how management is addressing these issues;
4.21. ensure that the Internal Audit function is adequately resourced, and has appropriate authority and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
4.22. ensure the Internal Audit function has adequate standing within the Firm and is free from management or other restrictions; and
4.23. periodically review the charter of the Internal Audit function;

Whistle-blowing and fraud

4.24. where not looked at by the Board, review arrangements by which staff of the Firm may, in confidence and without fear, raise concerns about possible improprieties in matters of financial reporting or other matters (such as commitment to quality work, professional judgement and values). Also, ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
4.25. consider other topics, as defined by the Board, such as the Firm's policies for preventing or detecting fraud, its code of conduct/business ethics and its policies for ensuring the Firm's compliance with relevant regulatory and legal requirements;

Other matters

4.26. review the disclosure about the role and work of the Committee included in the annual report or elsewhere;
4.27. review, at the request of the Board, the results of any Member Firm standards assessment that is undertaken on or by the Firm;
4.28. review other disclosures or documents as determined by the Board; and
4.29. consider any other matters related to the Firm's governance as requested by the Board.

5. Committee Procedures

5.1. Meetings of the Committee shall be held not less than four times a year and more frequently as circumstances may require.

5.2. Save as set out in these Terms of Reference, the Committee shall determine its own procedures.

6. General Matters

6.1. There will be a Secretary to the Committee who shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance, and any conflicts of interest.

6.2. The Chair of the Committee will report formally to the Board following the Committee meetings, and minutes of meetings of the Committee will be circulated to all members of the Board.

6.3. The Chair of the Board, the UK Chief Risk Officer, UK Chief Financial Officer, UK General Counsel, and UK Head of Internal Audit shall be permanent invitees to the Committee.

6.4. The Committee shall have access to all relevant people and information to allow it to discharge its duties.

7. Review and evaluation

7.1. The Terms of Reference of the Committee shall be subject to review by the Board at least every 12 months and may be amended by the Board from time to time.