

HASTINGS GROUP HOLDINGS plc (the “Company”)

AUDIT COMMITTEE - TERMS OF REFERENCE

Definitions

In these Terms of Reference the following terms shall have the following meanings:

the “ Articles ”	means the Company’s Articles of Association, as amended from time to time;
the “ Code ”	means the UK Corporate Governance Code
the “ Committee ”	means the Audit Committee;
the “ FCA ”	means the UK Financial Conduct Authority (or any successor body);
the “ GFSC ”	means the Gibraltar Financial Services Commission (or any successor body);
the “ Group ”	means the Company and its direct and indirect subsidiaries from time to time;
“ INED ”	means an independent non-executive Director appointed by the Company in accordance with the Articles;
“ Regulated Subsidiary ”	means any of the Company’s subsidiary companies which is separately regulated by any of the FCA or the GFSC and “ Regulated Subsidiaries ” means all of such subsidiary companies;

1. Background and Purpose

- 1.1 The Board is responsible for directing the affairs of the Group in a manner that meets both shareholder and regulatory requirements and is consistent with the Articles and current corporate governance standards. The Board is also responsible for ensuring that each of its Regulated Subsidiaries acts in compliance with its respective regulatory obligations. However, provided the Board can demonstrate it is acting within its over-arching obligations of good faith and duty of care, it is able to delegate the discharge of those responsibilities.
- 1.2 The purpose of the Committee is to assist the Board in discharging its responsibilities for the integrity of the Group’s financial statements, for the effectiveness of the systems of internal control and financial and regulatory risk management systems and for monitoring the effectiveness and objectivity of the internal and external auditors. The Committee shall also ensure that responsibility for managing and monitoring such matters in each of the Regulated Subsidiaries has been effectively delegated to the respective boards of directors.

2. Membership

- 2.1 Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least three members all of whom shall be INEDs. The head of the Group’s Risk, Compliance and Internal Audit functions shall be regular attendees (or, if such posts are not filled at Group level, by appropriate functional representatives from the Regulated Subsidiaries).
- 2.2 If any member of the Committee is unable to attend any meeting, he shall be permitted to appoint another INED as his alternate for that meeting and such alternate shall then be deemed a member of the Committee for the purposes of establishing a quorum for the meeting.
- 2.3 Committee members should be financially literate and at least one member of the Committee should have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the industry sector(s) that the Company and the Group operates in.
- 2.4 Only members of the Committee, and a representative of the Group’s Risk, Compliance and Internal Audit functions, have the right to attend Committee meetings. However, other individuals such as the Chair of the Board, Group Chief Financial Officer, other directors of the Company or Regulated Subsidiaries, and

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representatives from the Group’s finance function may be invited to attend all or part of any meeting as and when appropriate.

- 2.5 The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 2.6 The Board shall appoint the Committee Chair, who shall be an INED. In the absence of the designated Committee Chair, the remaining members present shall elect one of their number to chair the meeting, provided that the chair shall always be an INED.
- 2.7 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

3. Secretary

- 3.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.
- 3.2 The Secretary must ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.
- 3.3 The Secretary must ascertain, at the beginning of each meeting, whether any conflicts of interest exist and, if so, minute them accordingly.

4. Quorum

The quorum necessary for the transaction of business shall be two members, comprising only INEDs. 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.

5. Frequency of Meetings

The Committee shall meet formally at least three times a year and at such other times as the Chair of the Committee and/or the financial reporting and audit cycle shall require.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of the Chair or any of the Committee members or of either the external or internal auditors.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than three working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

- 7.1 The Secretary or such person as the Secretary nominates acts as the secretary of the Committee.
- 7.2 The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance;
- 7.3 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

8. Duties

The Committee should carry out the duties below for the Group, as appropriate.

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8.1 Financial Reporting

- 8.1.1 The Committee shall monitor the integrity of the financial statements of the Company and the Group, including its annual and half-yearly reports, and any other formal announcement relating to its financial performance¹, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents.
- 8.1.2 The Committee shall review and challenge where necessary:
- 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
 - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3 whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 8.1.2.4 the clarity of disclosure in both the Company’s financial reports and the context in which statements are made;
 - 8.1.2.5 all material information presented with the financial statements, such as the business review and corporate governance statements relating to the audit and to risk management; and
 - 8.1.2.6 compliance with requirements of any body by which the activities of the Group or its Regulated Subsidiaries are regulated.
- 8.1.3 The Committee shall review the annual financial statements of any pension scheme relating to the Company or the Group, and shall assess the effectiveness of the Group’s financial reporting procedures.
- 8.1.4 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.

8.2 Narrative Reporting

Where requested by the Board, the Committee should review the content of the annual report and accounts 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 Group’s performance, business model and strategy.

8.3 Internal Controls

The Committee shall:

- 8.3.1 establish and keep under review the Group’s internal financial controls and provide assurance as to their adequacy and effectiveness;
- 8.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management; and

¹ With the exception of statements or announcements that do not contain a significant amount of financial information and are primarily narrative based; these shall be approved by the Board. In any event, the Audit Committee reserves the right to request to review any such statement or announcement in advance of the Board

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- 8.3.3 receive and review regular assurance reports from management, internal audit, external audit and others on matters related to risk and control and review the timeliness of, and reports on, the effectiveness of corrective action taken by management.

8.4 Fraud

The Committee shall:

- 8.4.1 review the Group’s procedures for detecting fraud;
- 8.4.2 review the Group’s systems and controls for the prevention of bribery and money-laundering, and receive reports on non-compliance.

8.5 Internal Audit

The Committee shall:

- 8.5.1 approve the appointment or termination of the internal auditor;
- 8.5.2 establish formal and transparent policies and procedures to ensure the independence and effectiveness of the internal audit function;
- 8.5.3 monitor and review the effectiveness of the Group’s internal audit function in the context of the Group’s overall risk management system, and review and assess the annual internal audit plan and any proposed amendments that may occur through the following year;
- 8.5.4 consider and approve the remit and charter of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its functions effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- 8.5.5 review and assess the annual internal audit plan;
- 8.5.6 review promptly all reports on the Group from the internal auditor;
- 8.5.7 review and monitor management’s responsiveness to the findings and recommendations of the internal auditor;
- 8.5.8 ensure that the internal auditor shall be offered direct access to the Chair of the Committee and, where necessary, the Chair of the Board;
- 8.5.9 meet with the internal auditor at least once a year without the presence of management to discuss their remit and any issues arising from their internal audit reviews; and
- 8.5.10 monitor and review the effectiveness of the internal auditor in the context of the Group’s overall risk management system.

8.6 External Audit

The Committee shall:

- 8.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the next AGM, in relation to the appointment, re-appointment and removal of the Company’s external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.6.2 ensure that at least every ten 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

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- auditor with those other audit firms; and in respect of such tender 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;
- 8.6.3 establish formal and transparent policies and procedures to ensure the independence and effectiveness of the external audit function;
- 8.6.4 oversee the relationship with the external auditor including (but not limited to):
- 8.6.4.1 recommendations on their remuneration, including fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be concluded;
 - 8.6.4.2 approval of their terms of engagement, including the engagement letter issued at the start of each audit and the scope of the audit;
 - 8.6.4.3 assessing annually their 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;
 - 8.6.4.4 satisfying itself that there are no relationships (such as family, employments, investment, financial or business) between the auditor and the Company, or any member of the Group, (other than in the ordinary course of business) which could adversely affect the auditor’s independence and objectivity;
 - 8.6.4.5 agreeing with the Board a policy on the employment of former employees of the external auditor, taking account of relevant ethical standards, and monitoring the application of this policy;
 - 8.6.4.6 monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partners; and
 - 8.6.4.7 seek to ensure co-ordination of the activities of the internal auditor; and
 - 8.6.4.8 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
 - 8.6.4.9 seek to ensure co-ordination between the external auditor and the internal audit function; and
 - 8.6.4.10 evaluate the risks to the quality and effectiveness of the financial reporting process;
- 8.6.5 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 Committee 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;
- 8.6.6 review and improve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.6.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 8.6.7.1 a discussion of any major issues which arose during the audit
 - 8.6.7.2 any accounting and audit judgements, and
 - 8.6.7.3 levels of errors identified during the audit.

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The Committee shall also review the effectiveness of the audit.

- 8.6.8 review any representation letter(s) requested by the external auditor before they are signed by the Board;
- 8.6.9 review the management letter and management’s response to the auditor’s findings and recommendations; and
- 8.6.10 review and approve the Group Policy on the provision of Audit and Non-Audit Services and monitor the implementation of that policy.

9. Reporting Responsibilities

- 9.1 The Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and how it has discharged its responsibilities. This report must include the significant issues that it considered in relation to the financial statements and how these were addressed; its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and any other issue on which the Board has asked for the Committee’s opinion;
- 9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 9.3 The Committee shall compile a report of its activities to be included in the Group’s annual report, explaining how the Committee addressed the effectiveness of the external audit process; the significant issues that the Committee has considered in relation to the financial statements and how these issues were addressed and all other information requirements set out in the Code. The report must further explain:
 - 9.3.1 the approach taken to the appointment or reappointment of the external auditor;
 - 9.3.2 the length of tenure of the current external auditor and when a tender was last conducted; and
 - 9.3.3 if the external auditor provides non-audit services, how auditor objectivity and independence are safeguarded.
- 9.4 The Committee shall, when compiling reports referred to in 9.1 and 9.3, exercise judgement in the deciding which of the issues it considers in relation to the financial statements are significant, but should include at least these matters that have informed the Board’s assessment whether the Company is a going concern.

10. Other Matters

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 10.2 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;
- 10.3 give due consideration to appropriate laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority’s Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 10.4 be responsible for co-ordination of the Group’s internal and external auditors;

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- 10.5 oversee any investigation of activities which are within its terms of reference and act as a court of the last resort;
- 10.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval; and
- 10.7 work and liaise with all other Board committees.

11. Authority

The Committee is authorised:

- 11.1 to seek any information it requires from any employee of the Group in order to perform its duties;
- 11.2 to obtain, at the Company’s expense, outside legal or other professional advice on any other matter within its terms of reference;
- 11.3 to call any employee of the Group to be questioned at a meeting of the Committee as and when required; and
- 11.4 have the right to publish in the Group’s annual report, details of any issues that cannot be resolved between the Committee and the Board.