

LIONTRUST ASSET MANAGEMENT PLC

Audit and Risk Committee Terms of Reference

February 2024



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1. Introduction

- 1.1 The Audit and Risk Committee (hereinafter the **"Committee"**) of Liontrust Asset Management Plc (the **"Company"**) is established by the board of directors of the Company (the **"Board"**) as a Committee of the Board with the authority, powers and duties as set out in these Terms of Reference. Any amendment to these Terms of Reference requires the approval of the Board.
- 1.2 The Committee is responsible for establishing transparent policies and procedures to ensure the independence and effectiveness of the Company's internal audit processes, external auditors and ensuring the integrity of the Company's financial reporting and statements. The Committee is also responsible for reviewing the effectiveness of internal controls, the risk management framework, regulatory compliance and the arrangements for the prevention and detection of Financial Crime. The Committee shall assist the Board with the ongoing assessment and management of the Company's risk appetite and, alongside the Board, review the Company's emerging and principal risks. The existence of the Committee does not relieve the directors of their responsibilities for financial reporting and internal control.
- 1.3 The Committee will report to the Board after each meeting on how it has discharged its responsibilities and the key matters considered by it.

2. Membership and Attendance

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair of the Committee. The Committee shall be made up of at least 3 members.
- 2.2 All members of the Committee shall be independent non-executive directors of the Board with at least one Committee member determined to have recent and relevant financial experience, specifically competence in accounting and/or auditing. The Committee as a whole shall have the appropriate knowledge and competence to understand the risk appetite of the Company. The Chair of the Board shall not be a member of the Committee, unless the Board determine that they remain independent. Where possible, one member of the Company's Remuneration Committee will also be a member of the Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings, however, other individuals such as the Chair of the Board (if not a Committee member), any other directors of the Board, Chief Executive, Chief Operating Officer and/or Chief Financial Officer, other directors, the Chief Risk Officer, the Chief Compliance Officer, Internal Auditor, External Auditor and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
- 2.4 The external auditors (the **"Auditors"**) will be invited to attend meetings of the Committee on a regular basis.
- 2.5 The Board shall appoint a Committee Chair (the **"Chair"**) who shall be an independent non-executive director. In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 Meetings of the Committee may be conducted when the members are physically present or in the form of either video or audio conferences, provided that all members participating in the meeting are able to speak to and hear each other.

3. Secretary

- 3.1 The Company Secretary or their nominee shall act as the secretary of the Committee (the **"Secretary"**). The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be 2 members. 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

- 5.1 The Committee shall meet at least four times a year at appropriate times in the reporting risk and audit cycle and otherwise as required
- 5.2 Outside of the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Chief Executive, Chief Finance Officer, the Auditors, Chief Risk Officer and Chief Compliance Officer.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be summoned by the Secretary at the request of the Chair. The Secretary is also authorised to summon a meeting at the request of any other member, the Auditors, r internal auditors, Chief Risk Officer or the Chief Compliance Officer if they consider it necessary.
- 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, any other person required to attend and all other non-executive directors, no later than 5 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 shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

8. Annual General Meeting and Engagement with Shareholders

- 8.1 The Chair (or in their absence, another member of the Committee) shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities. In addition, the Chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

9. Duties of the Committee

- 9.1 Financial Reporting:
 - a) The Committee is authorised by the Board to monitor and review the integrity of the financial statements and returns of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to the Company's financial performance, including significant financial reporting issues and judgements which they contain and report these to the Board
 - b) review the appropriateness of accounting policies and procedures for ensuring compliance with regulatory and financial reporting requirements including the Listing Rules or Disclosure Guidance and UK Corporate Governance Code ("UK Code") and the Company's relationship with the relevant regulatory authorities basis;

- c) review the methods used to account for significant or unusual transactions where different approaches are possible;
- d) consider whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Auditors;
- e) review the clarity of disclosure in the Company's financial reports and the context in which statements are made;
- f) review all related information presented with the financial statements, including the strategic report and the corporate governance statement relating to audit, risk management and internal controls and;
- g) review a quarterly report from the Chief Financial Officer or Head of Finance, including details of the Company's finances, taxation and client money / assets.

9.1.1 The Committee shall review and consider periodically the Company's tax strategy and the associated internal controls.

9.2 Risk and Internal Controls:

9.2.1 The Committee shall maintain an overall understanding of the risk appetite, tolerance and strategy of the Company and keep under the review and monitor the following:

- a) the effectiveness of the risk framework and internal controls that is used to monitor the Company's internal controls and risk management systems, although the Committee is not responsible for the design, implementation and effectiveness of such systems which are the responsibility of management; and
- b) review and recommend to the Board for approval, the Company's risk appetite and risk tolerances and monitor the Company's risk profile against these,
- c) review the effectiveness and appropriateness of the process for the identification, assessment, mitigation, monitoring and management of all immediate and emerging risks with particular emphasis on the key risks faced by the Company.

9.2.2 The Committee will recommend to the Board for approval, the Company's Internal Capital And Risk Assessment ("ICARA") process to fulfil its regulatory obligations under the Capital Requirements Directive and assess whether the assessments and disclosures remain appropriate.

9.2.3 The Committee shall ensure the following undertaken:

- a) review and approve the statements to be included in the annual report concerning risk and internal controls;
- b) review a quarterly report from the Chief Risk Officer, including details of the Company's Key Risks
- c) monitor and assess the role, effectiveness and independence of the Chief Risk Officer and the overall risk function in the context of the Company's risk management system and the work of compliance, finance and internal & external audit (to include an assessment of their Executive reporting line);
- d) maintain an understanding of the likelihood and impact of principal risks materialising, and the management and mitigation of these principal risks to reduce the likelihood of their incidence or their impact; and
- e) periodically review and approve the Risk Charter and the Risk Culture statement.

9.2.4 The Committee shall review the adequacy of the Company's insurance arrangements and the terms and levels of cover of such insurance from time to time.

9.2.5 The Committee shall review, on behalf of the Board, risks associated with acquisitions where such risks are not considered directly by the Board as part of the acquisition approval process.

9.2.6 The Committee shall regularly consider emerging and thematic risks which, in the view of management or the Committee, may have a material impact on the Group's business model and/or operations and performance in the future.

9.3 Compliance:

9.3.1 The Committee shall ensure the following is reviewed and monitored in relation to the oversight of Compliance and Financial Crime:

- a) review periodically and monitor the Company's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the relevant regulatory authorities;

- b) review the Company's arrangements for the deterrence, detection, prevention and investigation of financial crime and fraud and to receive and consider special investigation reports relating to financial crime or major breakdowns in internal controls or major errors and omissions including remedial action by management;
- c) review a quarterly report from the Chief Compliance Officer, including details of the Company's relations with the regulators; Compliance monitoring; material breaches, errors and complaints; anti-money laundering controls; and other Financial Crime;
- d) review and approve the annual Compliance Monitoring Plan;
- e) review the Company's arrangements for its employees and partners to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters ("**Whistleblowing**"). The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- f) review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;
- g) monitor and assess the role, effectiveness and independence of the Chief Compliance Officer and the overall Compliance function in the context of the Company's risk management system and the work of internal audit, finance and the external auditor (to include an assessment of their Executive reporting line).

9.4 Internal Audit:

9.4.1 The Committee shall:

- a) monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system; including the assessment of principal risks and emerging risks facing the Company;
- b) approve the appointment and removal of the head of the internal audit function;
- c) consider and approve the mandate of the internal audit 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 standing and is free from management control or other restrictions;
- d) ensure the internal auditor has direct access to the Board Chair and to the Chair, providing independence from the executive and accountability to the Committee;
- e) review and assess the annual internal audit plan ensuring it is aligned to the key risks of the business, and receive regular reports, which shall be reviewed promptly on work carried out and determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business be responsible for co-ordination of the internal and external auditors;
- f) review and monitor management's responsiveness and actions taken by management to implement the recommendations proposed;
- g) meet the internal audit lead at least once a year, without management being present, to discuss their remit 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 Board and to the Committee; and
- h) monitor and assess the role, effectiveness and independence of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor (to include an assessment of their Executive reporting line).

9.5 External Audit:

- 9.5.1 Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's Auditors as well as their remuneration.
- 9.5.2 The Committee shall oversee the selection process for new Auditors and ensure this is in accordance with applicable Code and regulatory requirements. All tendering firms shall have access to all necessary information and individuals during the tendering process. If an Auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 9.5.3 The Committee will oversee and develop the relationship with the Auditors including (but not limited to):

- a) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - c) assessing annually their independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Company's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, including the provision of any non-audit services;
 - d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - e) agreeing with the Board a policy on the employment (or membership of a group LLP) of former employees of the Company's Auditors, then monitoring the implementation of this policy;
 - f) monitoring the Auditor's compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements and the auditors process for maintaining independence;
 - g) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - h) meet regularly with the Auditors, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the Auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit; and
 - i) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 9.5.4 The Committee shall review the findings of the audit with the Auditors. This shall include but not be limited to, the following:
- a) discussion of any major issues which arose during the audit;
 - b) any accounting and audit judgements; and
 - c) levels of errors identified during the audit.
- 9.5.5 The Committee shall also review the effectiveness of the audit and the auditor's view of their interactions with senior management:
- a) review any representation letter(s) requested by the Auditors before they are signed by management;
 - b) review the management letter and management's response to the Auditor's findings and recommendations;
 - c) develop and implement a policy on the supply of non-audit services by the Auditors, taking into account any relevant ethical guidance on the matter; and
 - d) review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

9.6 Client Assets:

- 9.6.1 The Committee shall review the effectiveness of the arrangements for holding and oversight of Client Assets.

10. Reporting Responsibilities

- 10.1 The Chair shall report formally to the Board on the issues raised at each meeting and on all matters within its duties and responsibilities and any other issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 10.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report. The report shall include:
- a) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - b) an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - c) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements.
- 10.4 The Committee shall make these Terms of Reference available to shareholders by placing them on the Company's website.
- 10.5 The Chair will report to the Remuneration Committee ahead of the financial period end on the robustness of the risk control framework, to notify of any risk items in the financial statements that may impact the annual incentive pool and to notify any risk or control matters relevant to the remuneration of individuals or groups or employees.

11. Other Matters

- 11.1 The Committee shall have access to the following:
- a) sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
 - b) 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;
 - c) give due consideration to laws and regulations, the provisions of the UK Governance Code and the requirements of the UK Listing Authority's Listing Rules and any other applicable rules, as appropriate;
 - d) oversee any investigation of activities which are within its terms of reference and act as a court of the last resort;
 - e) at least once a year, review its own performance, constitution and Terms of Reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval; and
 - f) consider such other matters as the Board may from time-to-time refer to it.

12. Authority

- 12.1 The Committee is authorised:
- a) to seek any information it requires from any employee of the Company or member of a Group LLP in order to perform its duties;
 - b) to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
 - c) to call any employee or partner to be questioned at a meeting of the Committee as and when required.

Liontrust Asset Management Plc

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Next review date: January 2025

Important information

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