



DWF GROUP PLC

(the Company)

Audit Committee: Terms of Reference

(approved at a meeting of the Board of directors of the Company held on 18 January 2019)

Constitution

1. A committee of the Board shall be established by resolution of the Board, to be known as the Audit Committee.

Membership

2. Members of the Audit Committee shall be appointed by the Board, on the recommendation of the nomination committee in consultation with the chair of the Audit Committee, in accordance with the Company's articles of association.
3. All members of the Audit Committee shall be independent non-executive directors. The Audit Committee shall consist of a minimum of three members, of which at least one member shall be the chair of the risk committee and one member shall be a member of the remuneration committee. At least one committee member shall have recent and relevant financial experience and competence in accounting and/or auditing. The Audit Committee as a whole shall have competence relevant to the sectors in which the Company and its subsidiary undertakings (together, the Group) operate. The chairman of the Board shall not be a member of the Audit Committee.
4. The chair of the Audit Committee shall be an independent non-executive director and shall be appointed by the Board on the recommendation of the nomination committee from among the members of the Audit Committee. In the absence of the chair of the Audit Committee (and/or an appointed deputy or alternate chair), the members present at any meeting of the Audit Committee shall elect one of their number to chair the meeting.
5. The chair and members of the Audit Committee shall be listed each year in the Company's annual report.
6. If any member of the Audit Committee is unable to act for any reason, the chair of the Audit Committee may appoint another independent non-executive director of the Company (agreed by the other members of the Audit Committee) to act as that member's alternate.
7. The company secretary or his or her nominee shall be the secretary of the Audit Committee. The company secretary shall ensure that the Audit Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.
8. Each member of the Audit Committee shall disclose to the committee:
 - (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Audit Committee; or
 - (b) any potential conflict of interest arising from a cross-directorship.

Any such member shall abstain from voting on resolutions of the Audit Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Audit Committee.

Meetings

9. The Audit Committee shall meet at least three times a year, to coincide with key dates within the financial reporting and audit cycle and otherwise as the chair of the Audit Committee shall require. A meeting shall be held as soon as reasonably practicable upon a request for such meeting by any committee member or by the Company's internal or external auditor.
10. Outside of the formal meeting programme, the chair of the Audit Committee and, to a lesser extent, the other committee members, will maintain a dialogue with key individuals involved in the Group's governance, including the chairman of the Board, the CEO, the CFO, the external lead audit partner and the Head of Internal Audit.
11. No one other than the chair and members of the Audit Committee is entitled to be present at a meeting of the Audit Committee. The chair and members of the Audit Committee shall, however, have the discretion to decide if other individuals may be invited to attend for all or part of any meeting, as and when appropriate and necessary.
12. It is expected that the external audit lead partner will be invited regularly to attend meetings, as well as the CFO. At least once a year, the Audit Committee shall meet with the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.
13. The quorum for meetings of the Audit Committee shall be two members present throughout the meeting. A duly convened meeting of the Audit 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 Audit Committee.
14. Meetings of the Audit Committee shall be called by the secretary of the committee at the request of any member or at the request of the external or internal auditor if they consider it necessary.
15. Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, where appropriate, shall be forwarded to each member of the Audit Committee and any person invited to attend no later than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Audit Committee to all members of it and to arrange such meetings so that members are able to attend them.
16. A member of the Audit Committee may participate in committee meetings by telephone.
17. In the event of an equality of votes, the chair of the Audit Committee shall have a casting vote.
18. The secretary of the committee shall prepare minutes of proceedings and decisions for all meetings of the Audit Committee, including the names of those present and in attendance, and, after approval and signature by the chair of the Audit Committee, shall circulate the minutes to all members of the Audit Committee and to the chairman of the Board and, once agreed, to all other members of the Board, unless it would be inappropriate to do so in the opinion of the chair of the Audit Committee.
19. The chair of the Audit Committee shall be available to answer questions about the committee's activities at the annual general meeting of the Company. All members of the Audit Committee shall also attend the annual general meeting.

Duties

20. The Audit Committee should have oversight of the group as a whole and, unless required otherwise by regulation, should carry out the duties below for the Group.
21. The duties of the Audit Committee shall be:
 - (a) External Audit
 - (i) to consider and make recommendations to the Board, for it to put to the shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditor;
 - (ii) if the Board does not accept the Audit Committee's recommendation on the appointment, re-appointment and removal of the external auditor, to prepare a statement explaining the committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the Board's reasons for taking a different position;
 - (iii) to ensure that the audit services contract is put out to tender at timely intervals and that the Company changes its auditor periodically in line with applicable legislation;
 - (iv) to develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
 - (v) to oversee the relationship with the external auditor, including:
 - (A) negotiating and agreeing the remuneration and terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (B) ensuring the level of fees payable for audit services is appropriate to enable an effective and high-quality audit to be conducted;
 - (C) approving fees for non-audit services;
 - (vi) to meet regularly with the external audit lead partner and other audit partners and staff as required including once at the planning stage before the audit and once after the audit at the reporting stage and, at least once a year, meet with the external auditor without management being present, to discuss the external auditor's remit and any issues arising from the external audit;
 - (vii) to monitor the audit of the Company and consolidated financial statements;
 - (viii) to assess annually the external auditor's independence and objectivity, taking into consideration relevant UK law, regulation, the Financial Reporting Council's Revised Ethical Standard 2016 and other professional requirements, and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats;
 - (ix) to monitor the external auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, the Financial Reporting Council's

Revised Ethical Standard 2016 and other professional requirements, including guidance on the rotation of the audit partner and staff;

- (x) to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (xi) to agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Financial Reporting Council's Revised Ethical Standard 2016 and legal requirements, and monitor the implementation of this policy;
- (xii) to monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Financial Reporting Council's Revised Ethical Standard 2016;
- (xiii) to assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on its own internal quality procedures;
- (xiv) to seek to ensure co-ordination with the activities of the internal audit function;
- (xv) to evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Audit Committee;
- (xvi) to develop and recommend to the Board the Group's formal policy on the provision of non-audit services by the external auditor, including approval of non-audit services by the Audit Committee and specifying the types of non-audit service to be pre-approved, and the assessment of whether non-audit services have a direct or material effect on the audited financial statements, including consideration of the following matters:
 - (A) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (B) the nature of the non-audit services;
 - (C) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (D) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (E) the criteria governing compensation;
- (xvii) to discuss with the external auditor the factors that could affect audit quality and review and approve the annual and any interim audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (xviii) to review with the external auditors (in the absence of management if necessary) the results of their work in conducting the annual and any interim audit, including:

- (A) any major issues that arose during the course of the audit;
 - (B) the external auditors' explanation of how the risks to audit quality were addressed;
 - (C) key accounting and audit judgements;
 - (D) the external auditors' view of their interactions with senior management;
 - (E) levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted; and
 - (F) any reservations that the external auditors may have and other matters that they wish to raise;
- (xix) to review the audit representation letters before signature by management, giving particular consideration to matters where representation has been requested that relates to non-standard issues;
 - (xx) to review the external auditors' management letter and management's response to the auditor's findings and recommendations;
 - (xxi) to review the effectiveness of the external audit process, including an assessment of the quality of the external audit, the handling of key judgements by the external auditor and the external auditor's response to questions from the Audit Committee;
 - (xxii) if the external auditor resigns, to investigate the issues leading to such resignation and to consider whether any action is required;
- (b) Internal Audit
- (i) to review and approve the mandate of the internal audit function, monitor and review the effectiveness of its work and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
 - (ii) to ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, to ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and to ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
 - (iii) to ensure that the Head of Internal Audit has direct access to the chairman of the Board and to the Audit Committee and that internal auditors have direct access to the Board and the chair of the Audit Committee, providing independence from the CFO, CEO and the senior management team and accountability to the committee;
 - (iv) to carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment to:
 - (A) meet with the Head of Internal Audit without the presence of the CEO, CFO or the senior management team to discuss the effectiveness of the function;

- (B) review and assess the annual internal audit work plan to ensure it is aligned with the key risks of the business;
 - (C) receive a report on the results of the internal auditor's work;
 - (D) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - (E) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- (v) to monitor and assess the role and effectiveness of the internal audit function in the overall context of the Group's risk management system and the work of finance, compliance and the external auditor;
 - (vi) to approve the appointment or termination of appointment of the Head of Internal Audit;
 - (vii) to receive a report on the results of the internal auditor's work on a periodic basis;
 - (viii) to review reports addressed to the Audit Committee from the internal auditor;
 - (ix) to review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
 - (x) to consider whether an independent, third party review of process is appropriate;
- (c) Financial reporting
- (i) to monitor the financial reporting process, including reviewing the Company's annual and half-yearly and other interim reports, preliminary announcements and any other formal announcements relating to the Company's financial performance and to consider and report to the Board on significant financial reporting issues and judgements contained in them, and to submit recommendations and proposals to ensure the integrity of the process;
 - (ii) the Audit Committee shall focus particularly on:
 - (A) considering significant accounting policies, any changes to them and any significant estimates and judgements;
 - (B) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (C) methods of accounting for client monies in accordance with law and the regulatory requirements of each of the Group's legal professional regulators;
 - (D) where the accounting treatment is open to different approaches, considering whether the Company has adopted appropriate accounting standards and, where necessary, made appropriate estimates and judgements taking into account the views of the external auditor;

- (E) reviewing the clarity and completeness of disclosures in the financial reports and statements and considering whether the disclosures made are set properly in context; and
 - (F) reviewing all material information presented with the financial statements, such as the strategic report, directors' report and the corporate governance statement (in so far as it relates to the audit);
 - (iii) to review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules and Disclosure Guidance and Transparency Rules;
 - (iv) to report its views to the Board where it is not satisfied with any aspect of the financial reporting by the Company;
- (d) Narrative reporting
- (i) where requested by the Board, to 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 position and performance, business model and strategy and whether it informs the Board's statement on these matters that is required under the UK Corporate Governance Code;
 - (ii) where requested by the Board, to provide advice on how, taking account of the Group's position and principal risks, the prospects of the Group have been assessed, over what period, and why that period is appropriate, and whether there is a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the chosen period, drawing attention to any qualifications or assumptions as necessary;
- (e) Internal Control and Risk Management
- (i) to keep under review the adequacy and effectiveness of the Group's internal financial controls (that is, the systems established to identify, assess, manage and monitor financial risks) and to review the Group's internal control and risk management systems, as well as produce the statements to be included in the annual report concerning internal controls and risk management;
 - (ii) to review the adequacy and security of arrangements by which staff and contractors of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the proportionate and independent investigation of such matters, and for appropriate follow-up action; and
- (f) Legal professional duties
- (i) to monitor and assess the Group's management systems and arrangements used for ensuring the Group's compliance with the regulatory requirements of each of the Group's legal professional regulators.

22. The Audit Committee is authorised by the Board to investigate any activity within the scope of its duties.

Reporting responsibilities

23. The reporting responsibilities of the Audit Committee shall be:
- (a) to review the statement by the directors to be included in the annual accounts on the going concern status of the Group and any material uncertainties identified with regard to the Company's ability to continue adopting the going concern assumption over a period of at least twelve months from the date of approval of the financial statements;
 - (b) to review and recommend to the Board the viability statement;
 - (c) to assist the Board by preparing a statement for inclusion in the annual report describing the roles and responsibilities of the Audit Committee and actions taken by the committee to discharge those responsibilities; as well as describing how the Audit Committee composition requirements have been addressed and listing the names and qualifications of all members of the committee, the number of committee meetings and attendance by each member; and
 - (d) if the external auditor provides non-audit services, to provide an explanation for inclusion in the annual report of how auditor objectivity and independence is safeguarded.
24. The chair of the Audit Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report formally to the Board on how the committee has discharged its responsibilities. This report shall include:
- (a) the significant issues that it considered in relation to financial statements and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - (c) any other issues on which the Board has requested the Audit Committee's opinion.
25. The Audit Committee shall compile a report on its activities to be included in the Company's annual report. The report should address all relevant information requirements of the UK Corporate Governance Code, including:
- (a) an explanation of how the Audit Committee has assessed the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current auditor, when a tender was last conducted and advance notice of any retendering plans; and
 - (b) the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor.
26. In compiling its reports to the Board and to be included in the annual report, the Audit Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement.

27. The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

Performance, resources and training

28. The Audit Committee shall:
- (a) make available these terms of reference, explaining the role and the authority delegated to it by the Board, by including the information on the Group's website;
 - (b) consider other topics, as referred by the Board;
 - (c) work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees;
 - (d) arrange for periodic reviews of its own performance and, at least annually, review its 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;
 - (e) 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;
 - (f) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules, including the legal professional duties of members of the legal profession within the Group, and any other applicable laws and guidance, as appropriate;
 - (g) be responsible for the coordination of the internal and external auditors; and
 - (h) oversee any investigation of activities which are within its terms of reference.
29. The Audit Committee shall have access to sufficient resources in order to carry out its duties, including access to the services of the Company secretariat on all Audit Committee matters including (but not limited to) assisting the chairman in planning the Audit Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of practical support.
30. The Audit Committee is authorised to:
- (a) seek any information it requires from any partners or staff of the Group in order to perform its duties (and it shall have access to the Head of Internal Audit) and to request the attendance of any partners or staff at any meetings of the Audit Committee in respect of such information;
 - (b) obtain outside legal, accounting or other independent professional advice on any matter within its terms of reference and to secure the attendance of outsiders with relevant experience and expertise to meetings, if it reasonably considers this necessary, at the Company's expense (subject to any budgetary restraints imposed by the Board);
 - (c) call any partners or staff of the Group to be questioned at a meeting of the Audit Committee, as and when required; and



- (d) have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Audit Committee and the Board.

Professional Duties Prevail

- 31. In fulfilling its purpose, the Audit Committee:
 - (a) acknowledges that each lawyer of the Group has professional duties as a member of the legal profession in the jurisdiction (or jurisdictions) where he or she is entitled to practise law;
 - (b) acknowledges that all decisions and recommendations made by the Audit Committee in respect of the Group's lawyers will be made having regard, and will be subject, to the requirement that the professional duties of members of the legal profession within the Group prevail over the decisions and recommendations made by the Audit Committee; and
 - (c) agrees that, to the extent that any lawyer of the Group experiences a conflict or potential conflict between the matters referred to in paragraph (b) above, then, to the extent of the conflict or potential conflict, such lawyer's professional duties shall prevail.