

Clarkson PLC
(the “Company”)

Terms of Reference: Audit and Risk Committee

As adopted by the Board on 26 January 2021

References to:

- “**Committee**” shall mean the Audit and Risk Committee of Clarkson PLC
- “**Board**” shall mean the Board of Directors of Clarkson PLC
- “**Group**” shall mean the Company and its subsidiaries

1 Membership

- 1.1 The Committee shall comprise at least three members including, where possible, one member of the Remuneration Committee. All appointments to the Committee shall be made by the Board on the recommendation of the Nomination Committee and in consultation with the Committee Chair.
- 1.2 All members of the Committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience and with competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 1.3 The Board shall appoint the Committee Chair (on the recommendation of the Nomination Committee) who shall be an independent non-executive director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 Appointments to the Committee shall be for a period of up to three years, which may be extended for two additional three-year periods, provided that the member continues to be independent.
- 1.5 Only members of the Committee have the right to attend Committee meetings. However other individuals such as the Chair of the Board, other non-executive directors, the Chief Executive Officer, Chief Financial Officer, the Statutory Auditor, representatives from the internal audit function and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary to fulfil the duties set out below. Attendees are not members of the Committee and may be collectively or individually requested to withdraw from meetings at the request of the Committee Chair.

2 Secretary

- 2.1 The Company Secretary or their nominee shall act as the secretary of the Committee (the “**Committee Secretary**”) and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues. Information and papers for each meeting shall also be made available to any director who is not a member of the Committee unless the Committee Chair considers it would be inappropriate to do so.

3 Quorum

- 3.1 The quorum necessary for the transaction of business shall be any two members.
- 3.2 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 Frequency of Meetings

- 4.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and at other times as the Committee Chair shall require.
- 4.2 Outside of the formal meeting programme, the Committee Chair will maintain a dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Statutory Audit lead partner and the Internal Audit lead partner.

5 Notice of Meetings

- 5.1 Meetings of the Committee shall be called by the Committee Secretary at the request of the Committee Chair or any of its members, or the Statutory Audit lead partner if they consider it necessary.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee and to other attendees, as appropriate, no later than five days before the date of the meeting (or at shorter notice with the approval of the Committee Chair).

6 Telephone Attendance

- 6.1 The members of the Committee shall be deemed to meet together if they are in separate locations, but are linked by conference telephone or other communication equipment which allows those participating to hear and speak to each other.

7 Minutes of Meetings

- 7.1 The Committee Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance. The Committee Secretary shall also ascertain at the beginning of each meeting the existence of any conflicts of interest and minute them accordingly.
- 7.2 Draft minutes of Committee meetings shall be agreed with the Committee Chair and circulated promptly to all members of the Committee and, once agreed, to all members of the Board, unless the Committee Chair considers that it would be inappropriate to do so.

8 Annual General Meeting

- 8.1 The Committee Chair shall attend the Company's Annual General Meeting to respond to any shareholder questions on the Committee's activities.

9 Duties

The Committee shall have oversight of the Group as a whole and, unless required otherwise by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole.

9.1 Financial reporting

- 9.1.1 The Committee shall monitor the integrity of the financial statements of the Company including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and report to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the Statutory Auditor.
- 9.1.2 The Committee shall also review summary financial statements and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
- 9.1.3 The Committee shall review and challenge where necessary:
 - 9.1.3.1 the application of, consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/Group;
 - 9.1.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 9.1.3.3 whether the Company has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the Statutory Auditor on the financial statements;
 - 9.1.3.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made; and
 - 9.1.3.5 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- 9.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

9.2 Narrative reporting

Where requested by the Board, the Committee should review the content of the annual report 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 Company's performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters.

9.3 Internal controls and risk management systems

The Committee shall:

- 9.3.1 monitor the Company's internal financial controls and internal control and risk management systems and, at least annually, carry out a review of their effectiveness;
- 9.3.2 consider the level of assurance and information it is getting on these systems and controls and whether this is enough for the Board to satisfy itself that they are operating effectively;
- 9.3.3 undertake an annual assessment of the Group's emerging and principal risks; and
- 9.3.4 review and approve the statements to be included in the annual report concerning internal controls, risk management and the viability statement.

9.4 Compliance and Fraud

The Committee shall:

- 9.4.1 review the Company's procedures for detecting fraud;
- 9.4.2 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 9.4.3 review regular reports from the Anti-Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
- 9.4.4 review regular reports from the Group Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.

9.5 Internal Audit

The Committee shall:

- 9.5.1 regularly consider the internal audit work reports issued in the regulated banking operations and the wider Group, and review plans for internal audit in those operations; and
- 9.5.2 monitor and review the effectiveness of the Company's internal audit activities at least annually.

9.6 Statutory Auditor

The Committee shall:

- 9.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's Statutory Auditor.

- 9.6.2 in circumstances where the Board, on the advice of the Committee, has determined that the audit relationship should be put out to tender, as is necessary either in compliance with regulatory requirements or for other reasons, be responsible for conducting the tender process for recommending two firms to the Board and expressing a preference for one of those firms.
- 9.6.3 if the Statutory Auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 9.6.4 oversee the relationship with the Statutory Auditor including (but not limited to):
 - 9.6.4.1 approval of their remuneration, including both fees for audit and non-audit services, ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - 9.6.4.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 9.6.4.3 assessing annually their independence and objectivity taking into account relevant UK law, regulatory and professional requirements, including the relevant ethical guidelines, the Group's relationship with the Statutory Auditor as a whole, and the provision of any non-audit services. The Committee should consider the annual independence disclosure from the Statutory Auditor and discuss with the Statutory Auditor any threats to their independence and the safeguards applied to mitigate those threats;
 - 9.6.4.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Statutory Auditor and the Company (other than in the ordinary course of business) which could adversely affect the Statutory Auditor's independence and objectivity;
 - 9.6.4.5 agreeing a policy on the employment of former employees of the Company's Statutory Auditor, taking into account the relevant ethical guidelines, and monitoring the application of this policy;
 - 9.6.4.6 monitoring the Statutory Auditor's processes for maintaining independence, and its compliance with relevant ethical and professional guidance on the rotation of the audit partner and staff;
 - 9.6.4.7 monitoring the level of fees paid by the Company to the Statutory Auditor compared to the overall fee income of the firm, office and partner and assessing these in the context of relevant legal, professional and regulatory requirements, and other ethical and professional guidance;
 - 9.6.4.8 assessing annually the qualifications, expertise and resources, and the effectiveness of the external audit process which shall include obtaining a report from the Statutory Auditor on their own internal quality procedures and consideration of the audit firm's annual transparency reports; and

- 9.6.4.9 evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the Statutory Auditor from the market in that evaluation.
- 9.6.5 meet regularly with the Statutory Auditor (including once at the planning stage before the audit and once after the audit at the reporting stage). The Committee shall also meet the Statutory Auditor at least once a year without management being present to discuss the Statutory Auditor's remit and any issues arising from the audit;
- 9.6.6 discuss with the Statutory Auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 9.6.7 review the findings of the audit with the Statutory Auditor. This shall include but not be limited to, the following:
 - 9.6.7.1 a discussion of any major issues which arose during the audit;
 - 9.6.7.2 the Statutory Auditor's explanation of how the risks to audit quality were addressed;
 - 9.6.7.3 the evidence they have received in relation to key accounting and audit judgements;
 - 9.6.7.4 levels of errors identified during the audit, obtaining explanations from management and, where necessary, the Statutory Auditor as to why certain errors might remain unadjusted; and
 - 9.6.7.5 the Statutory Auditor's view of their interaction with senior management and other members of the finance team.

The Committee shall also:

- 9.6.8 review any representation letter(s) requested by the Statutory Auditor before they are signed by management;
- 9.6.9 review the management letter and management's response to the Statutory Auditor's findings and recommendations;
- 9.6.10 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the Statutory Auditor and their response to questions from the Committee;
- 9.6.11 develop, approve and implement a policy on the supply of non-audit services by the Statutory Auditor, to avoid any threat to auditor objectivity and independence taking into account any relevant ethical guidance and legal requirements on the matter. This policy shall include, but not be limited to, consideration of the following:

- 9.6.11.1 the types of non-audit service for which use of the Statutory Auditor is pre-approved;
- 9.6.11.2 how it will assess whether non-audit services have a direct or material effect on the audited financial statements;
- 9.6.11.3 how it will assess and explain the estimation of the effect on the financial statements;
- 9.6.11.4 the nature of the non-audit services;
- 9.6.11.5 whether the external audit firm is the most suitable supplier of the non-audit service;
- 9.6.11.6 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
- 9.6.11.7 how it will consider the threats to the Statutory Auditor's independence and objectivity and any safeguards in place.

10. Other External Auditors

- 10.1 The Committee will review and confirm any changes to external auditors appointed within the Group, as recommended by the executive directors.

11. Reporting Responsibilities

- 11.1 The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
 - 11.1.1 the significant issues that it considered in relation to the financial statements and how these were addressed;
 - 11.1.2 its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the Statutory Auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 11.1.3 the effectiveness of the Company's risk management and internal control systems (to be reviewed and reported to the Board at least annually); and
 - 11.1.4 any other issues on which the Board has requested the Committee's opinion.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall compile a report on its activities to be included in the Company's annual report. This report should include an explanation of how the Committee has assessed the independence and effectiveness of the

external audit process; the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the Statutory Auditor; and all other information requirements set out in the UK Corporate Governance Code.

- 11.4 In compiling the reports referred to in 11.1 and 11.3, the 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 into the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report, but could provide cross-references to that information.

12. Other Matters

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 12.2 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;
- 12.3 be provided with appropriate and timely training, both in the form of an induction programme for new members (where considered necessary) and on an ongoing basis for all members;
- 12.4 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and published guidance, and the requirements of UK Listing Authority's Listing Rules, Prospectus Regulation Rules, Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules as appropriate;
- 12.5 be responsible for the co-ordination of the internal and Statutory Auditors;
- 12.6 oversee any investigation of activities which are within its terms of reference; and
- 12.7 work and liaise as necessary with all other Board committees.

13. Authority

- 13.1 The Committee is a committee of the Board from which it derives its authority.
- 13.2 The Committee is authorised by the Board to:
- 13.2.1 seek any information it requires from any employee or director of the Company in order to perform its duties;

- 13.2.2 obtain, at the Company's expense, any independent outside legal, accounting or other professional advice on any matter within its terms of reference;
- 13.2.3 call any employee to be questioned at a meeting of the Committee as and when required;
- 13.2.4 have the right to publish in the company's annual report, details of any issues that cannot be resolved between the Committee and the Board; and
- 13.2.5 have unrestricted access to the Company's documents and information.

14. Approvals History

Date	Approved by	Details
7 March 2019	Clarkson PLC Board	Annual review and changes under the 2018 UK Corporate Governance Code
29 January 2020	Clarkson PLC Board	Annual review, including change of Committee name to Audit and Risk Committee
26 January 2021	Clarkson PLC Board	Annual review