

Johnston Carmichael LLP

Audit Quality Board

Terms of Reference

Purpose

The principle objectives of the Audit Quality Board ("AQB") are to provide independent oversight of the Audit Business Line ("ABL"), with a focus on promoting audit quality, ensuring that the public interest is taken into account in decision making in the ABL; and safeguarding the sustainability and resilience of the ABL. The operational management of the ABL is the responsibility of the Head of Audit.

Membership

The members of the Audit Quality Board shall be appointed by the Chair in consultation with the Head of Audit and shall comprise:

- Independent Non-Executives ("INEs") (one of whom will act as Chair)
- Head of Audit
- Ethics Partner
- Head of Audit Quality Risk & Technical

Susan Glennie shall act as secretary to the Audit Board.

Unless otherwise determined by the Head of Audit and/or the Audit Quality Board, the duration of appointments to the Board will be for a continuous term of three years.

Meetings and attendance

The Audit Quality Board shall meet at least six times per annum. The quorum for the meetings of the Audit Quality Board shall be a majority of members.

Only members of the Audit Quality Board have the right to attend meetings. However, individuals such as members of the Audit Executive, Function Heads, Sector Leads and Sub-service line Heads may be invited to attend all or part of any meeting as and when appropriate. The Audit Quality Board may also seek any information it requires from any ABL employee or partner in enable it to perform its duties.

The Audit Quality Board should have access to sufficient resources and be provided with information of sufficient depth and quality in advance of, during, and in between meetings to enable it to perform its duties.

Ad-hoc meetings of the Audit Quality Board may be called by any member if they consider it necessary. Notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be made available to each member (in sufficient time to enable consideration of the issues).

Supporting papers will be made available in electronic form to members and to other attendees as appropriate. In addition, the INEs will have access to any member of the ABL that they deem appropriate to fulfil their duties.

Roles and responsibilities

Key responsibilities of the Audit Quality Board are to:

- monitor and oversee how the ABL defines 'Audit Quality', including identification of the drivers that contribute to Audit Quality
- oversee the sufficiency of the System of Quality Management and ensure that internal quality control systems are functioning effectively
- ensure that Independence practices are appropriate and have been subject to an internal compliance review
- ensure policies and procedures are in place to ensure that the continuing education of statutory auditors is as required by relevant law, regulation and professional standards
- challenge the Audit Strategy in terms of how it leads to delivery of high quality audits
- ensure that senior appointments, including decisions on individuals becoming Audit RIs, within the Audit Business Line are aligned with the focus on audit quality.

In meeting its responsibilities, the activities of the Audit Quality Board will include, but are not limited to:

- Governance and oversight
 - Approval and monitoring of the Strategic Audit Quality Plan ("SAQP")
 - Approval and monitoring of the Audit Quality Indicators ("AQIs")
 - Approval of the annual ISQM 1 effectiveness statement
 - Approval of any new or changes to policy papers impacting Audit Quality
 - Monitor relationships and communications with external Regulators
- Compliance monitoring
 - Ethics compliance including consideration of breach reporting
 - Client acceptance and continuance, including commercial performance
 - AML compliance
 - Consideration of any current or potential PI issues
- Quality monitoring
 - Approval of the annual Quality Monitoring Plan
 - Consideration of findings from external (regulator and network) reviews, including Root Cause Analysis and monitoring of Action plans
 - Consideration of findings from internal quality monitoring activities, including Root Cause Analysis and monitoring of Action plans

- Risk monitoring
 - Review of ABL Risk register and consideration of any updates
 - Review summary of any contentious technical issues or audit opinions
- People, values and behaviours
 - Monitoring the culture, values and behaviours within the ABL to ensure consistent alignment with Audit Quality
 - Monitoring the response to the outcomes and recommendations from any Culture/People surveys conducted within the ABL or from the Regulators
 - Approve the plan to respond to the People, Culture and Behavioural issues identified from the above
 - Oversight of the firms Whistleblowing policy, processes and reporting
 - Oversight of people management policies and procedures, including remuneration and incentive structures, recruitment, retention and promotion processes, training and development activities, and diversity and inclusion.
- Resourcing
 - Approval of senior ABL promotions including RI appointments.
 - Oversight of key resourcing gaps and succession planning

Reporting

The Audit Quality Board is represented by its Chair as required by the governance structures of the firm.

Other matters

The Committee will arrange for an annual review of its own performance, including the review of these terms of reference to ensure it is operating at maximum effectiveness and identify and implement any changes it considers necessary.

Approved by Audit Quality Board 04 September 2025