

Close Brothers Group plc

Audit Committee (the “Committee”)

Terms of Reference

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board (the “Board”), on the recommendation of the Nomination and Governance Committee in consultation with the Chairman of the Committee. The Committee shall be made up of at least 2 members.
- 1.2 All members of the Committee shall, in the opinion of the Board, be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. Other individuals such as the Chairman of the Board, Chief Executive, Finance Director, other directors and senior management, and the heads of group risk, compliance, internal audit and finance may be invited to attend all or part of any meeting as and when appropriate. Only members of the Committee may vote at Committee meetings.
- 1.4 The external auditors will be invited to attend meetings of the Committee on a regular basis not less than twice a year.
- 1.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for further three year periods, provided the director remains, in the opinion of the board, independent.
- 1.6 The Board shall appoint the Committee Chairman (the “Chairman”). In the absence of the Chairman, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1 The Company Secretary or their nominee shall act as the Secretary of the Committee.

3. Quorum

3.1 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.

4. Frequency of Meetings

4.1 The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5. Notice of Meetings

5.1 Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external or internal auditors 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, shall be forwarded to each member of the Committee and any other person required to attend, no later than 3 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, no later than with the notice of meeting.

6. Minutes of Meetings

6.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.3 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and to all members of the Board.

7. Annual General Meeting

7.1 The Chairman shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee shall carry out the duties below on behalf of the Board in respect of Close Brothers Group plc ("CBG"), its subsidiary undertakings and the group as a whole (the "Group"), as appropriate.

8.1 **Financial Reporting**

8.1.1 The Committee shall monitor the integrity of the financial statements of CBG, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. 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.

8.1.2 The Committee shall review and challenge where necessary:

1. the consistency of, and any changes to, accounting policies on a year on year basis;
2. the methods used to account for significant or unusual transactions where different approaches are possible;
3. whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
4. the clarity of disclosure in CBG's financial reports and the context in which statements are made; and
5. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8.2 **Internal Controls and Compliance Systems**

The Committee shall:

1. keep under review the effectiveness of the Group's internal controls and compliance systems; and
2. review and approve the statements to be included in the Annual Report concerning internal controls and compliance.

8.3 **Whistleblowing**

The Committee shall review the Group's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and

independent investigation of such matters and appropriate follow up action.

8.4 Group Internal Audit

The Committee shall:

1. monitor and review the effectiveness of the group internal audit function in the context of the company's overall risk management system;
2. approve the appointment and removal of the head of group internal audit;
3. consider and approve the remit of group internal audit 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 or other restrictions;
4. review and assess the annual plan of proposed activities for the group prepared by the head of group internal audit;
5. review promptly all reports from group internal audit;
6. review and monitor management's responsiveness to the findings and recommendations of group internal audit; and
7. ensure that the head of group internal audit is given the right of direct access to the Chairman of the Board and to the Committee.

8.5 External Audit

The Committee shall:

- 8.5.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting if so required, in relation to the appointment, re-appointment and removal of the external auditors of CBG or any of its subsidiary companies. 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;
- 8.5.2 oversee the relationship with and between the external auditors including (but not limited to):

1. approval of their remuneration, whether fees for audit or non audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 3. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 4. satisfying 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);
 5. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, and other related requirements; and
 6. assessing annually the effectiveness of the audit process.
- 8.5.3 meet regularly with the external auditors, including after the audit at the reporting stages and at interim. The Committee shall meet the external auditors at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 8.5.4 review the findings of the audit with the external auditors. This shall include but not be limited to, the following:
1. a discussion of any major issues which arose during the audit;
 2. any accounting and audit judgements; and
 3. levels of audit adjustments identified during the audit.
- 8.5.5 review any representation letter(s) requested by the external auditors before they are signed by management;
- 8.5.6 review the management letter and management's response to the auditors' findings and recommendations; and

8.5.7 review the supply of non audit services by the external auditors, taking into account any relevant ethical guidance on the matter.

8.6 Reporting Responsibilities

1. The Chairman shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
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.
3. The Committee shall disclose in the Annual Report its work in discharging its responsibilities.

8.7 Other Matters

The Committee shall:

1. have access to sufficient resources in order to carry out its duties, including access to the CBG secretariat for assistance as required;
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;
3. give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules as appropriate;
4. be responsible for co-ordination of the internal and external auditors;
5. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort to the extent applicable; and
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.

9. Authority

The Committee is authorised:

- 9.1. to seek any information it requires from any employee in order to perform its duties;
- 9.2. to obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 9.3. to call any employee to be questioned at a meeting of the Committee as and when required.

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