

**Audit Committee of Nomura Europe Holdings plc**  
**Terms of Reference**

**1. Constitution**

1.1 The principles of good governance apply to all Boards and Committees. An effective Board relies on similarly effective Committees to provide challenge, oversight and scrutiny. This facilitates informed decision making and the effective oversight of risks in line with regulatory obligations. The Board of Directors (the “**Board**”) of Nomura Europe Holdings plc (“**NEHS**”) has established a Non-Executive committee of the Board known as the NEHS Audit Committee (the “**Committee**”) to provide challenge, oversight and scrutiny to ensure that an effective internal control environment is maintained within the Group (as defined in paragraph 1.2 below) and to ensure that the duties set out in paragraph 9 of these Terms of Reference are properly discharged.

1.2 For these purposes:

- 1.2.1 the “**Relevant Entities**” shall mean NEHS, Nomura International plc (“**NIP**”), Nomura Bank International plc (“**NBI**”), Nomura Capital Markets Limited, Nomura European Investment Limited and Nomura Properties plc and any other entities that appear on the Nomura EMEA Structure Chart, as amended from time to time and that meet the requirements of the Capital Requirements Directive IV (“**CRD IV**”);
- 1.2.2 the “**Group**” shall mean NEHS, its subsidiaries and those entities which appear on the Nomura EMEA Structure Chart as amended from time to time (excluding Nomura Asia Holding N.V., Nomura Europe Finance N.V. and NIH 1 (Guernsey) Limited and its subsidiaries, which are outside of the scope of the Committee); and
- 1.2.3 the “**Code**” shall mean the UK Corporate Governance Code as published by the Financial Reporting Council.

**2. Membership**

2.1 The Committee shall consist of at least three of the UK based Non-Executive Directors of NEHS, the majority of whom should be independent and at least one of whom shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. Other members shall have a degree of financial literacy and experience of corporate financial matters. Members of the Committee will be appointed by the Board, on the recommendation of the NEHS Governance and Nomination Committee and in consultation with

the Chair of the Committee (the “**Chair**”) and the Nomura Holdings, Inc. (“**NHI**”) Executive Management Body (the “**EMB**”).

2.2 The Chair of the NEHS Prudential Risk Committee and/or of the NEHS Financial Conduct Committee shall be a member of the Committee. The Chair of the Board of NEHS (the “**Board Chair**”) shall not be member of the Committee but shall have the right to attend all Committee meetings, as shall all NEHS Directors.

2.3 The following individuals are expected to attend all meetings as standing attendees:

2.3.1 the External Auditor;

2.3.2 the Chief Executive Officer (the “**CEO**”);

2.3.3 the Executive Chair, EMEA;

2.3.4 the Chief Risk Officer, EMEA (the “**CRO**”);

2.3.5 the General Counsel, EMEA;

2.3.6 the Global Head of Wholesale Division Audit & EMEA Audit Head (the “**Head of Internal Audit**”);

2.3.7 the Chief Financial Officer, EMEA (the “**CFO**”);

2.3.8 the Head of Compliance, EMEA;

2.3.9 the Chief Administrative Officer, EMEA; and

2.3.10 an NHI Representative.

2.4 At the invitation of the Chair, other non-members may attend all or part of any meeting as and when appropriate and necessary.

2.5 Appointments to the Committee shall be for a period of no more than three years extendable by no more than two additional three-year periods, so long as members continue to be a Non-Executive Director.

2.6 The Board, in consultation with the NEHS Governance and Nomination Committee, shall appoint the Chair. In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

### **3. Voting**

3.1 Only members of the Committee are entitled to vote at Committee meetings.

3.2 Where recommendations from the Committee are not unanimous, the Chair shall reflect in recommendation to the Board any conflicting views.

#### **4. Secretary**

- 4.1 The Company Secretary of NEHS or his or her nominee shall act as the Committee Secretary.
- 4.2 The Committee Secretary will ensure the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to agenda items. In addition, the Committee Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance. Draft minutes of the Committee meetings shall be circulated promptly to all members of the Committee and will be formally approved by the Committee at the following meeting. A summary from each Committee meeting will be presented by the Chair at the next Board meeting.

#### **5. Quorum**

- 5.1 The quorum necessary for the transaction of business shall be two members, one of whom should be an independent Director. 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.

#### **6. Frequency of meetings**

- 6.1 The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle, and otherwise as required.
- 6.2 Meetings may be conducted by telephone or video-conference and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.
- 6.3 Meetings are to coincide with key dates within the financial reporting and audit cycle. The meetings should be long enough to allow sufficient time to enable the Committee to undertake as full a discussion as may be required. There is to be sufficient time between Committee meetings and Board meetings to allow any work arising from the Committee meeting to be reported to the Board as appropriate.
- 6.4 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 CEO, the CFO, the Chair of the NEHS Prudential Risk Committee, the external audit lead partner and the Head of Internal Audit.

## **7. Notice of meetings**

- 7.1 Meetings of the Committee shall be convened by the Committee Secretary at the request of the Chair, the external audit lead partner or Head of Internal Audit or of any of its members if they consider it necessary.
- 7.2 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 with reasonable notice in advance of each meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate in advance of each meeting.

## **8. Annual General Meeting**

- 8.1 The Chair may attend the Annual General Meeting and will be available at any other time to answer shareholder questions on the Committee's activities.

## **9. Duties**

- 9.1 The Committee shall carry out the duties below for the Relevant Entities and the Group as a whole as appropriate.

### 9.1.1 Financial reporting:

- a) the Committee shall monitor the integrity of the financial statements of the Group, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor;
- b) the Committee shall review and challenge where necessary:
  - i. the establishment and consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Group;
  - ii. the methods used to account for significant or unusual transactions where different approaches are possible;

- iii. whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - iv. the clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and
  - v. all material information presented with the financial statements, such as the business review and the corporate governance statements relating to audit and risk management.
- c) Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board.

#### 9.1.2 Narrative reporting:

- a) the Committee will review the content of the NEHS Annual Report and Accounts and those of any other entities as appropriate and advise the Board on whether, taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.

#### 9.1.3 Internal controls and risk management systems:

- a) the Committee shall:
  - i. keep under review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems;
  - ii. jointly with the NEHS Prudential Risk Committee, oversee the capital calculation and reporting process;
  - iii. keep under review the corrective actions senior management is taking to address the findings and recommendations of internal auditors and external auditors in a timely manner;
  - iv. keep under review the remediation of control weaknesses, non-compliance with policies, laws and regulations and other problems identified by internal auditors and external auditors;
  - v. keep under review the remediation of deficiencies identified by supervisory authorities related to the Internal Audit function and ensure that the status of necessary corrective actions is reported to the Board; and

- vi. review and approve the statements to be included in the Group's Annual Reports concerning internal controls and risk management.

#### 9.1.4 Whistleblowing:

- a) the Committee shall be responsible for ensuring and overseeing the integrity, independence and effectiveness of the firm's policies and procedures on whistleblowing, including those designed to protect whistleblowers from being victimised. In particular, the Committee shall review the firm's whistleblowing arrangements to ensure that they are appropriate and effective for the disclosure of reportable concerns by whistleblowers, for the investigation of those concerns and for any necessary follow up action in accordance with relevant legislation or regulation.

#### 9.1.5 Internal audit:

- a) the Committee shall:
  - i. in conjunction with the Global Head of Internal Audit, approve the appointment, or termination of appointment of the Head of Internal Audit;
  - ii. in conjunction with the Global Head of Internal Audit, set objectives for, and assess the performance of, the Head of the Internal Audit function, taking into account his/her independence, objectivity and tenure;
  - iii. consider and make recommendations to the NEHS Remuneration Committee regarding the remuneration of the Head of the Internal Audit function;
  - iv. consider and make recommendations to the Board, in relation to the remuneration of the Internal Audit function as a whole;
  - v. review and approve the Charter and the Internal Audit Code of Ethics and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
  - vi. ensure the Head of Internal Audit has direct access to the Board Chair and to the Chair, and is accountable to the Committee;
  - vii. ensure that the Internal Audit function maintains open communication with senior management, external auditors, the supervisory authority, and the Committee;

- viii. review and approve the scope and nature of the annual Internal Audit plan and budget, as well as any material changes to the Internal Audit plan;
- ix. receive a report on the results of the internal auditor's work on a periodic basis;
- x. review any discoveries of fraud and violations of laws and regulations as raised by the Head of the Internal Audit function;
- xi. review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- xii. meet with the Head of Internal Audit at least once a year without the presence of management;
- xiii. make appropriate inquiries of management and the Head of the Internal Audit function to determine whether there are inappropriate scope or resource limitations;
- xiv. monitor and review the effectiveness of the Group's Internal Audit function, in the context of the Group's overall risk management system; and
- xv. obtain an independent and objective external assessment of the Internal Audit function at appropriate intervals.

#### 9.1.6 External audit:

- a) the Committee shall in consultation with the appropriate NHI group functions:
  - i. consider and make recommendations to the Board, in relation to the appointment, re-appointment and removal of the Group's external auditor;
  - ii. consider at least once every ten years that the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
  - iii. if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
  - iv. oversee the relationship with the external auditor including (but not limited to):
    - 1) recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality 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 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 NEHS (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 5) ensure that appropriate procedures are agreed with the Board and put in place regarding the employment of former employees of the Group's auditor, monitoring the implementation of these procedures and communicating the procedures to the Group's auditor;
  - 6) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by NEHS compared to the overall fee income of the firm, office and partner and other related requirements;
  - 7) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
  - 8) seeking to ensure co-ordination with the activities of the Internal Audit function;
  - 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 their auditor from the market in that evaluation;
  - 10) discussing with the statutory auditor or external audit firm key matters arising from the statutory audit or external audit, and in particular any identified material weaknesses in internal control in relation to the financial reporting process; and
  - 11) discussing the written representations the statutory auditor or external audit firm is requesting from senior management and, where appropriate, those charged with governance;
- v. meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year,



- without management being present, to discuss the auditor's remit and any issues arising from the audit;
- vi. review and approve the Annual Audit Plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
  - vii. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
    - 1) a discussion of any major issues which arose during the audit;
    - 2) key accounting and audit judgements;
    - 3) levels of errors identified during the audit; and
    - 4) the effectiveness of the audit process.

9.1.7 The Committee shall also:

- a) review any representation letter(s) requested by the external auditor before they are signed by management;
- b) review the management letter and management's response to the auditor's findings and recommendations; and
- c) develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

## **10. Reporting responsibilities**

10.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- 10.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.1(a)) and how these were addressed;
- 10.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 9.1.6(iv)) and its recommendation on the appointment or re-appointment of the external auditor; and
- 10.1.3 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 In the compiling of reports referred to in paragraph 10.1, the Committee should exercise judgment 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 Group is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the Annual Report and Accounts, but could provide cross-references to that information.

10.4 The Chair shall also report to the Board of the relevant Group entity, on any matters discussed at the meeting specific to that entity alone, as appropriate from time to time.

## **11. Other matters**

11.1 The Committee shall:

11.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;

11.1.2 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. The Chair is responsible for assessing the training needs of the Committee members;

11.1.3 give due consideration to laws and regulations, the provisions of the Code and any other applicable rules, as appropriate;

11.1.4 be responsible for co-ordination of the internal and external auditors;

11.1.5 oversee any investigation of activities which are within these Terms of Reference;

11.1.6 work and liaise as necessary with all other Board Committees; and

11.1.7 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. The Committee is subject to an annual effectiveness review by the Board and will be required to report that it has fulfilled its duties under the mandate delegated to it by the NEHS Board under the Terms of Reference in the NEHS Annual Report and Accounts.

## **12. Authority**

12.1 The Committee is authorised to:

- 12.1.1 seek any information it requires from any employee of the Group in order to perform its duties;
- 12.1.2 obtain, at the expense of NEHS, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.1.3 call any employee to be questioned at a meeting of the Committee as and when required; and
- 12.1.4 have the right to raise and discuss, with the appropriate NHI group functions, the details of any issues that cannot be resolved between the Committee and the Board.

12.2 The Committee may establish Sub-Committees and/or forums which will report to the Committee as necessary. The Committee shall on a timely basis consider and make decisions on all matters raised for its attention by any of its Sub-Committees and/or forums, including reports from the Risk Management function as appropriate, and shall be entitled to seek any information it requires, including commissioning specific reports from the Risk Management or Internal Audit functions as it deems necessary to fulfil its role.

## **13. Changes to the Terms of Reference**

13.1 Substantive changes to the Committee's Terms of Reference must be approved by the Board.

13.2 Administrative amendments to the Committee's Terms of Reference may be made by the Chair of the Board and the NEHS Company Secretary as necessary.