

## **AUDIT COMMITTEE**

### **TERMS OF REFERENCE**

#### **Purpose**

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities in respect of the integrity of the systems of internal control, financial processes, financial statements and performance of the internal audit function, of the Society and its subsidiary companies.

#### **Membership**

Members of the Audit Committee shall be appointed by the Board in consultation with the Chair. The Chair of the Society will not be a member of the Committee.

All members of the Committee shall be Independent Non-Executive Directors at least one of whom is considered by the Board to have recent and relevant financial experience and competence in accounting and/or auditing. Collectively the members shall have competence relevant to the insurance sector, including knowledge and experience of actuarial matters.

Only members of the Committee and the Secretary have the right to attend Committee meetings. However meetings may be attended by the Chair of the Board, CEO, Chief Actuary, Chief Risk Officer, Head of Finance, Head of Internal Audit, Head of Compliance, representatives of the external auditors and other directors, employees and third parties at the invitation of the Committee for all or part of the meeting as and when appropriate.

Appointments to the Committee shall be subject to annual review.

The Board shall appoint the Chair. In the absence of the Chair, the remaining members of the Committee present shall elect one of themselves to chair the meeting. The Chair of the Committee shall have a casting vote.

#### **Administration**

*Secretary* - The Society Secretary or a nominee agreed by the Chair shall act as the Secretary.

*Quorum* - The quorum necessary for the transaction of business shall be two members.

*Frequency of meetings* - The Committee shall meet at least four times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.

*Notice of meetings* - Meetings of the Committee shall be summoned by the Secretary at the request of any of its members or at the request of the external auditors or Head of Internal Audit. 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 five working days before the meeting date. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

The Committee will meet privately as deemed necessary but at least once a year, with each of the external auditor; the Head of Internal Audit to discuss matters relating to their remit any issues arising. *Minutes of Meetings* - The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

Minutes of Committee meetings shall be circulated as soon as practicable to all members of the Committee and to all members of the Board.

## **Duties**

- 1 *Annual General Meeting* - The membership of the Committee and description and activities during the year will be disclosed in the Annual Report of the Society. The Chair of the Committee shall attend the Annual General Meeting of the Society prepared to respond to any questions on the Committee's activities and area of responsibility
- 2 *Financial Reporting* - The Committee shall review and recommend to the Board for approval:
  - a) The draft financial statements of the Society and its subsidiary companies, including significant financial reporting issues and judgements that they contain.
  - b) Summary financial statements.
  - c) Any financial information contained in other documents that require Board approval.
  - d) The Annual Valuation and SFCR reports.
  - e) Any other significant financial returns to regulators.

In carrying out its financial reporting duties the Committee shall review and challenge where necessary:

- i. The consistency of, and any changes to, accounting standards both on a year-on-year basis and across the Society.
  - ii. The methods used to account for significant or unusual transactions where different approaches are possible.
  - iii. Whether the Society has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the external auditor.
  - iv. The clarity of disclosure in the Society's financial reports and the context in which statements are made.
  - v. All material information presented with the financial statements, such as the operating and financial review and corporate governance statement (insofar as it relates to audit).
  - vi. Review and recommend to the Board for approval the statements to be included in the Annual Report concerning internal controls and risk management and "going concern".
  - vii. Review and recommend to the Board the Own Funds and Solvency II methodology reports.
- 3 *Terms of Reference* - Make publicly available its Terms of Reference explaining clearly its role and the authority delegated to it by the Board.
- 4 *Whistle Blowing* - The Committee shall review arrangements by which staff within the Society may raise concerns, in confidence, about possible improprieties in matters of financial reporting or other matters.
- 5 *Fraud* - The committee shall review the Society's procedures for detecting fraud.

**6 Internal Audit - The Committee shall:**

- a) Monitor and review the effectiveness of the Society's internal audit function.
- b) Determine the scope and frequency of internal reviews of the system of governance and ensure the scope, findings and conclusions are properly documented and reported to the Audit Committee.
- c) Recommend to the Board the appointment and termination of the Society's Head of Internal Audit.
- d) Consider and approve the remit of the Society's internal audit function and making certain it has adequate resources and appropriate access to information to enable it to perform its function effectively, independently, and in accordance with relevant professional standards.
- e) Make sure it has adequate standing and freedom from management or other restrictions.
- f) Review and assess the annual internal audit plan.
- g) Review promptly all reports on the Group from the Head of Internal Audit.
- h) Review and monitor management's responsiveness to the findings and recommendations of the Society's internal audit function.
- i) Meet the Society's Head of Internal Audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits which have been carried out. In addition, the Society's Head of Internal Audit shall have direct access to the Chair of the Board and to the Committee.
- j) Monitor and review the liaison and co-ordination of work between the internal and external auditors.
- k) Monitor that the Society and its subsidiary companies maintain appropriate controls as regards the scope and limits of delegated authority.

**7 External Audit - The Committee shall:**

- a) Consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Society's external auditor. 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.
- b) Oversee the relationship with the external auditor including (but not limited to):
- c) approval of the remuneration of the external auditor, whether fees for audit or non-audit services, and satisfying itself that the level of fees is appropriate to enable an adequate audit to be conducted.

- d) approval of the terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit:
  - i. assessing annually the independence and objectivity of the external auditor taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of, and level of fees for, any non-audit services;
  - ii. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Society (other than in the ordinary course of business);
  - iii. Where applicable, agreeing with the Board a policy on the employment of former employees of the external auditor, then monitoring the implementation of this policy;
  - iv. monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Society compared to the overall fee income of the firm, office and partner and other related requirements;
  - v. assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures; and
  - vi. promoting co-ordination with the activities of the internal audit function.
- e) 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 annually, without management being present, to discuss their remit and any issues arising from the audit.
- f) Review and approve the annual audit plan and make certain that it is consistent with the scope of the audit engagement.
- g) Monitor the audit process of the annual and consolidated financial statements, in particular its performance, taking into account any findings and conclusions.
- h) Review the findings of the audit with the external auditor, including:
  - i. a discussion of any major issues that arose during the audit;
  - ii. any accounting and audit judgements; and
  - iii. levels of errors identified during the audit.
- i) Review any representation letter(s) requested by the external auditor before they are signed by management.
- j) Review the management letter and management's response to the findings and recommendations.
- k) Develop and recommend to the Board the Society's policy in relation to the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.
- l) Review the effectiveness of the audit.

## 8 *Conflicts of Interest*

Review at least annually the policy, controls and procedures for disclosure and management of conflicts of interest.

## 9 *External actuaries*

(a) Review annually, in liaison with the With Profits Advisory Arrangement, the performance of the With Profits Actuary and report the outcome of the review to the Board.

(b) Review annually, the performance of the Society's other external actuaries and report the outcome of the review to the Board.

(c) Recommend to the Board for approval the appointment and termination of the Society's external actuaries.

## 10 *Reporting*

10.1 The Chair shall report formally to the Board on all matters that fall within the Committee's remit. This shall include a report on how the external audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process.

10.2 The committee shall provide a report on its activities for inclusion in the Society's Annual Report and Accounts.

## **Other Matters**

The Committee shall:

- Be provided by the Society with sufficient resources in order to carry out its duties.
- Be provided by the Society with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.
- At least once a year, review its own performance, constitution, composition and terms of reference to assess its operational effectiveness and recommend any changes it considers necessary to the Board for approval.

## **Authority**

The Committee is authorised by the Board:

- To seek any information it requires from any system, employee, contracted party, or director of the Society in order to perform its duties.
- To obtain, at the Society's expense, external legal or other professional advice on any matter falling within its terms of reference.
- To call on any employee to attend a meeting of the Committee as and when required.
- To report in the Annual Report any disagreement between the Audit Committee and the Board that cannot be resolved.

**Approved by the Board: 19 December 2025**