TERMS OF REFERENCE

The Royal London Mutual Insurance Society Limited – Audit Committee
(the ‘Committee’)
1. **Purpose (‘Purpose’)**

The Audit Committee (‘Committee’) assists the Board of the Royal London Mutual Insurance Society Limited (the ‘Board’) in discharging its responsibilities for monitoring the integrity of the company’s financial statements, performance and objectivity of external and internal auditors and monitoring and reviewing the effectiveness of the company’s financial controls.

2. **Membership**

2.1 The current Committee members are: Andrew Palmer (Chairman); Ian Dilks; Duncan Ferguson; Tracey Graham and David Weymouth.

2.2 The Committee shall comprise of not less than three independent Non-Executive Directors appointed by the Board on the recommendation of the Nomination Committee in consultation with the Committee Chairman.

2.3 At least one member shall be a member of the Board Risk Committee.

2.4 At least one member of the Committee must have recent and relevant financial experience, as stipulated in the Corporate Governance Code.

2.5 The Board shall appoint the Committee Chairman who shall be an independent Non-Executive Director.

2.6 The Chairman of the Board must not be a member of the Committee.

3. **Quorum**

3.1 The quorum shall be two members.

3.2 In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
4. **Attendance at meetings**

4.1 Only Committee members have the right to attend Committee meetings. The Group Chairman, Group Finance Director, Group Risk Director, Group Audit Director and External Auditors’ lead partner shall generally be invited to attend.

4.2 The Board’s Secretary, or such person as the Board’s Secretary may recommend to the Board, shall be the Secretary of the Committee.

4.3 The Committee may invite external advisers to attend meetings where it considers this to be appropriate.

4.4 At least once a year, the Committee must meet separately with each of the Group Audit Director and the external auditor, in the absence of management, to discuss the Purpose of the Committee or any other associated matters.

5. **Frequency**

5.1 The Committee must meet at least 4 times a year.

6. **Notice of meetings**

6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of its members or at the request of the external auditors or Group Audit Director, if they consider it necessary.

6.2 Unless otherwise agreed, the meeting agenda and supporting papers shall be sent to Committee members and to other attendees, as appropriate, in advance of the meeting to enable full and proper consideration to be given to the issues.

7. **Proceedings**

7.1 The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and by exception, raise them and minute them accordingly.
7.2 The Secretary shall ensure that a formal record of Committee proceedings and resolutions is maintained.

7.3 Following approval of the minutes by the Chairman of the Committee, they shall be distributed to all members of the Committee, the external Auditors unless a conflict of interest exists, and others as may be agreed by the Committee.

8. **Support**

8.1 The Committee has access to the services of Company Secretariat in order to carry out its duties.

8.2 At the expense of the Royal London Mutual Insurance Society Limited (the ‘Company’), in line with Article 15.3 of the Company’s Articles of Association, the Committee shall be able to select, appoint and agree the terms of appointment of any advisers deemed appropriate by the Committee to provide independent advice to the Committee but within any budgetary constraints imposed by the Board, and in consultation with Finance.

8.3 The Executive team must keep the Committee properly informed of matters that are relevant to its terms of reference.

8.4 It is authorised to seek any information that it requires from any employee and all employees are directed to co-operate with any request made by the Committee and to provide it with any information that it requires.

8.5 An induction programme will be provided on appointment to the Board and additional training as appropriate will be provided to members on topics such as:

a. developments in financial reporting and relevant company law;

b. understanding financial statements, applicable accounting and financial reporting standards and recommended practice;
c. Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) regulations, Central Bank of Ireland and the regulatory framework of the Company's business; and

d. the role of the first, second and third lines of defence (and the external auditors) together with applicable industry standards and recommended practice.

9. Responsibilities of the Committee

The Committee is responsible for:

9.1 Financial Reporting

9.1.1 Monitoring the integrity of the financial statements of the Company (including the interim financial statements and the Strategic Report with Supplementary Information) prior to their approval by the Board, and to review:

a. significant financial reporting issues and judgments contained in the financial statements, taking into account the views of the external auditor;

b. all material information presented within the financial statements such as the Directors’ Report, the operating and financial review and the corporate governance statement;

c. the clarity and completeness of disclosure in the financial statements and the context in which the statements are made;

d. the appropriateness of the going concern assumption and longer-term viability statement;

e. whether the accounting policies of the Company are appropriate and in accordance with the statutory requirements and appropriate relevant accounting and financial reporting standards, and if any changes to them need to be made;
f. report its views to the Board where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company;

g. review all announcements required by the listing, prospectus, disclosure and transparency rules, made by the Company on its performance; and

h. review reports and disclosures to the regulatory authorities including the Regular Supervisory Report and the quarterly and annual quantitative reporting.

9.1.2 Where requested by the Board, the Committee should provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the company's position and performance, business model and strategy.

9.2 Other Matters

9.2.1 Receiving reports from the (Solvency II) Compliance Function on compliance with the guidance, regulations and administrative provisions adopted via the Solvency II Directive and an assessment of the possible impact of any changes in the legal environment on operations and the identification and assessment of Solvency II compliance risk.

9.2.2 Reviewing the Solvency and Financial Condition Report (SFCR) prior to publication.

9.2.3 Reviewing the Governance Process and Disclosure and Reporting Policy and any other Group policies as determined by the Board, from time to time.

9.2.4 Reviewing regular reports from Risk Management Function, Compliance Function (Solvency II), the Internal Audit Function and Actuarial Function.

9.3 Internal Controls

9.3.1 Monitoring and reviewing the effectiveness of the Company's financial controls.

9.3.2 Monitoring the role, effectiveness, resourcing and standing within the Company of internal audit and in particular:
a. ensuring that the Group Audit Director has direct access to the Chairman of the Company and the Chairman of the Committee, and is accountable to the Committee;

b. approving the internal audit function charter and subsequent annual reviews, with all significant changes to be approved by the Committee;

c. determining the scope and frequency of each internal review, on the internal audit plan, taking account of its nature, scale and complexity;

d. reviewing and approving the internal audit plan and all subsequent material amendments;

e. reviewing ad hoc internal audit reports not covered by the Internal Audit Plan;

f. assessing the effectiveness of the internal audit function in the overall context of the Company’s activities and systems of governance;

g. receiving periodic reports on the results of internal audit’s work;

h. reviewing all of internal audit’s unsatisfactory and significant improvement requirements reports and management’s response to them;

i. approving the appointment and termination of appointment of the Group Audit Director; and

j. assessing the performance of the Group Audit Director, and making a recommendation to the Board Remuneration Committee for the purposes of determining their remuneration arrangements.

9.4 External Auditor

9.4.1 Reviewing any representation letters requested by the external auditor before they are signed by the Board.
9.4.2 Reviewing the external auditors’ findings (including those contained in management letters) and management’s response to them.

9.4.3 Making recommendations to the Board, for it to put to the Members for their approval in the Annual General Meeting, in relation to the appointment of the external auditors, and to approve the remuneration and terms of engagement of the external auditors.

9.4.4 Reviewing and monitoring the external auditors’ independence, objectivity, expertise, resources and effectiveness, taking into consideration relevant UK professional, ethical and regulatory requirements, including the provision of any non-audit services:

   a. monitoring the auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the audit firm, office and partner and other related requirements; and

   b. obtaining the external auditor’s report on their own internal quality procedures.

9.4.5 Maintaining, implementing and monitoring a policy on the engagement of the external auditors to supply non-audit services that is designed to ensure that the provision of such services does not impair the external auditors’ independence or objectivity, and that takes into account the relevant ethical guidance regarding the provision of non-audit services by the external auditors.

9.4.6 Determining on behalf of the Board the Company’s policy for the employment of former employees of the external auditors, ensuring there is a process in place for the Group to record and monitor points of conflict.

9.4.7 Ensuring that an appropriate external audit plan is in place at the start of each annual audit cycle.
9.4.8 Assessing the effectiveness of the external auditors at the end of the annual audit cycle.

9.5 Reporting Procedures

9.5.1 The Committee Chairman shall report to the Board on its proceedings after each meeting on all significant matters within its duties and responsibilities.

9.5.2 A separate section must be included in the annual report and accounts that describes the work of the Committee in discharging its responsibilities and includes:

a. a summary of the role of the Committee;

b. the names and qualifications of all members of the Committee during the period;

c. the number of Committee meetings;

d. a report of the actions taken by the Committee to discharge its responsibilities and an explanation if the external auditors provide non-audit service of how external auditors objectivity and independence is safeguarded;

e. an explanation of how the committee has addressed the effectiveness of the external audit process;

f. 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 auditor; and all other information requirements set out in the Corporate Governance Code; and

g. The Committee will also review, and recommend to the Board for approval, the statements to be included in the annual report concerning internal controls and risk management, and liaise with the Board Risk Committee where appropriate.
9.6 Annual General Meeting

The Chairman of the Committee, or in their absence a representative of the Committee, should be available at the Annual General Meeting to reply to questions that may be raised that are relevant to the role and responsibilities of the Committee.

9.7 Reviewing

9.7.1 The Committee must review annually its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any necessary changes to the Board.

9.7.2 The Committee will engage an independent third party to undertake a review of the effectiveness of the internal audit function and recommend any necessary changes every five years in accordance with the standards of the Chartered Institute of Internal Auditors. The Committee reserves the right to defer such a review where it considers appropriate to do so.

9.8 Publication of Terms of Reference

The terms of reference of the Committee will be available on the Company's website.