



# TERMS OF REFERENCE

The Royal London Mutual Insurance Society  
Limited  
Audit Committee (the “Committee”)

<b>Version</b>	1.0
<b>Author</b>	Group Company Secretarial
<b>Approved on</b>	25 June 2020

# **The Royal London Mutual Insurance Society Limited**

## **Audit Committee terms of reference**

### **1 Role**

- 1.1 The role of the Committee is to support the Board of The Royal London Mutual Insurance Society Limited ("the Company") and its subsidiaries ("the Group") in overseeing financial reporting; regulatory reporting; financial controls; internal and external audit; treasury operations, actuarial operations and tax operations.

### **2 Membership**

- 2.1 The Committee comprises at least three Directors, all of whom are independent Non-Executive Directors, including at least one member of the Risk and Capital Committee. At least one member will have recent and relevant financial experience, ideally with a professional qualification from an accountancy institute or the Institute and Faculty of Actuaries and at least one member will have relevant insurance and/or asset management experience. The Company Chairman will not be a member of the Committee.
- 2.2 Only members of the Committee have the right to attend Committee meetings. Other individuals may be invited by the Committee Chair to attend all or part of meetings.
- 2.3 Appointments to the Committee are made by the Board and will be for a period of up to three years, which, subject to satisfactory performance, may be extended for further periods of up to three years, provided the Director still meets the criteria for membership of the Committee.
- 2.4 The Board will appoint the Committee Chair. If the Committee Chair is absent from a meeting, the remaining Committee members present will elect a Committee member to chair the meeting.
- 2.5 Membership of the Committee will be reviewed annually by the Company Chairman in consultation with the Committee Chair.

### **3 Secretary**

- 3.1 The Company Secretary or his or her nominee is the Secretary of the Committee.
- 3.2 The Secretary will be responsible for ensuring that the Committee complies with its terms of reference.

### **4 Quorum**

- 4.1 The quorum is two members. Members may attend in person or by telephone or video conference. A duly convened meeting of the Committee at which a quorum is present will be competent to exercise all of the authorities, powers and discretions vested in the Committee.
- 4.2 Circulated written resolutions constitute a resolution of the Committee.

### **5 Frequency of meetings**

- 5.1 The Committee will meet at least four times a year.

### **6 Notice of meetings**

- 6.1 Committee meetings will be convened by the Secretary at the request of the Committee Chair or Company Chairman.
- 6.2 Unless otherwise agreed with the Committee Chair, notice of meetings confirming the venue (or medium), time and date together with the agenda and supporting papers will be forwarded to each member of the Committee and the Company Chairman no later

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than five working days before the date of the meeting. Relevant papers may be made available to other individuals required to attend.

**7 Minutes of meetings**

7.1 The Secretary will minute the proceedings and resolutions of meetings, record declarations of interests and those present and in attendance.

7.2 Draft minutes will be circulated promptly to the Committee Chair and subsequently be circulated to Committee members for approval and to the Company Chairman. Approved minutes will be signed by the Committee Chair and be made available to the Board.

**8 Duties**

**8.1 Advice to the Board**

8.1.1 Recommend one firm and one alternative firm for appointment as auditors to fill a casual or rotational vacancy

8.1.2 Recommend the member resolution to appoint or reappoint or remove the auditors.

**8.2 Advice to the Board having received the advice of the Chief Executive and the Chief Financial Officer**

8.2.1 Recommend for approval the content of the annual report and accounts on the basis that, taken as a whole, the Committee considers the reporting to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model, strategy and, after ensuring the Risk and Capital Committee concurs, the Group's risks. The review will encompass the going concern and viability statements and those matters required to be complied with or explained under the Corporate Governance Code

8.2.2 Recommend for approval the preliminary announcement, the half yearly, other interim reports and any financial content (including working capital statements, profit forecasts and pro forma financial information) and related commentary in respect of any regulatory announcement, circular or prospectus

8.2.3 Recommend for approval the Single Group Solvency and Financial Condition Report (having received advice from the Risk and Capital Committee in respect of the risk-related disclosures)

8.2.4 Recommend all distributions and ProfitShare in the context of the sufficiency of reserves of the Company, capital adequacy and liquidity.

**8.3 Advice to the Nominations and Governance Committee**

8.3.1 Recommend the appointment, removal or suspension of the Group Audit Director

8.3.2 Recommend changes to the terms of reference of the Committee having conducted an annual review of the effectiveness of the Committee's performance to ensure it is fully discharging its responsibilities.

**8.4 Advice to the Remuneration Committee**

8.4.1 Identify events that have been detrimental to the Group including financial errors and events that have exceeded the Board's risk appetite for the Remuneration Committee's consideration in making proportionate adjustments to Executive Directors' and/or Designated Employees' remuneration

8.4.2 Recommend the remuneration of the Group Audit Director in consultation with the Chief Executive.

**8.5 Advice to the Disclosure Committee**

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8.5.1 Confirm, at least annually and as otherwise necessary, that the control environment over financial and regulatory reporting supports the accuracy and completeness of financial and regulatory reporting

#### **8.6 Other duties**

8.6.1 Review and challenge as necessary:

8.6.1.1 Significant financial reporting issues, estimates and judgements

8.6.1.2 The application of significant accounting policies and any changes to them

8.6.1.3 The methods used to account for significant or unusual transactions where different approaches are possible

8.6.1.4 Compliance with appropriate accounting standards

8.6.1.5 The clarity and completeness of disclosure in the financial reports and the context in which statements are made

8.6.1.6 All material information presented with the financial statements

8.6.2 Review the adequacy of, and remedial action necessary in respect of, the Group's internal financial control systems and processes that identify, assess, manage and monitor financial reporting risks and support compliance with financial regulation and disclosure

8.6.3 Review the adequacy of, and remedial action necessary in respect of the Group's financial reporting, regulatory reporting and data control framework

8.6.4 Regularly receive and review reports from the Group Finance Function, the Actuarial function, the Legal team, the internal and external auditors (all reports to include material issues raised at Subsidiary Audit Committee meetings) on matters relevant to the Committee's duties

8.6.5 At least every three years review and approve the following policies recommended by the CEO and CFO:

8.6.5.1 Group reporting and disclosure policy

8.6.5.2 Policy for the independence of the External Auditor

8.6.5.3 Asset and Liability Investment Valuation

8.6.5.4 Transitional Measure on Technical Provisions

8.6.5.5 The analysis of change framework

8.6.5.6 Group liquidity

8.6.5.7 Treasury

8.6.5.8 Tax

8.6.6 Review compliance with the policies overseen by the Committee, including any external disclosures relating to the policies

8.6.7 Based on a report from the Whistleblowing Champion, monitor remedial action in respect of financial reporting matters and other matters overseen by the Audit Committee

8.6.8 Review and approve the role and mandate of internal audit; monitor and review the effectiveness of its work; and annually approve the internal audit charter and internal audit plan ensuring it is appropriate for the current needs of the organisation

8.6.9 Having received the advice of the Risk and Capital Committee, review and approve the internal audit plan and any changes to the annual plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out

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- 8.6.10 Review the findings of internal audits, ensuring that management responds appropriately to the findings
- 8.6.11 Ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate; ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of those functions as part of its internal audit plan; and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors
- 8.6.12 Carry out an annual assessment of the effectiveness of the internal audit function; and at least once in every five years commission an external review
- 8.6.13 Approve the appointment and changes to out-sourced providers of internal audit services
- 8.6.14 Periodically tender and change the External Audit contract 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 tendering process
- 8.6.15 If an external auditor resigns, investigate the issues leading to the resignation and decide whether any action is required
- 8.6.16 Oversee the relationship with the external auditor including (but not limited to):
  - 8.6.16.1 Recommendations from management on the auditor's remuneration, approving 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 in accordance with the policy for the independence of the External Auditor
  - 8.6.16.2 Approval of the external auditor's terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit
  - 8.6.16.3 Assessing annually the auditor's independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services. The Committee should be satisfied there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity
  - 8.6.16.4 Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Group compared to the audit fee; the overall fee income of the firm, office and partner and other related requirements
  - 8.6.16.5 Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which will include a report from the external auditor on their own internal quality procedures
  - 8.6.16.6 Encouraging co-ordination with the activities of the internal audit function
- 8.6.17 Review and approve the annual External 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
- 8.6.18 Review the findings of, and remedial action taken in respect of matters raised by the audit with the external auditor. This will include but not be limited to, the following:
  - 8.6.18.1 Risks and other matters disclosed in the auditors' report to members

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- 8.6.18.2 Discussion of any major issues that arose during the audit
- 8.6.18.3 Key accounting and audit judgements
- 8.6.18.4 The nature and quantum of errors identified during the audit
- 8.6.18.5 The effectiveness of the audit process
- 8.6.19 Review and approve any representation letter requested by the external auditor before it is signed by management on behalf of the Company
- 8.6.20 Review the management letter and management's response to the auditor's findings and recommendations
- 8.6.21 At least twice annually, meet alone with each of the Group Audit Director, the External Auditor, the Chief Actuary and the Chief Financial Officer without management being present, to discuss their remit and any matters within the remit of the Audit Committee.

### **9 Reporting**

- 9.1 The Committee Chair will update the Board on the Committee's proceedings (noting any approvals and recommendations for approvals) after each meeting.
- 9.2 The Committee will make whatever recommendations to the Board it deems appropriate on any area within its remit.
- 9.3 The Committee will produce a report to be included in the Company's Annual Report and Accounts on the Committee's activities. The report will be fair, balanced and understandable and apply best practice reporting.
- 9.4 The Committee Chair should attend the Annual General Meeting to answer members' questions on the Committee's activities.

### **10 Other matters**

- 10.1 As applicable to the Committee's duties, the Committee will ensure compliance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Amendment Regulations 2013, the Corporate Governance Code and the rules of the PRA, FCA and CBI.
- 10.2 The Committee will have access to sufficient resources to carry out its duties.
- 10.3 The Committee will 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.
- 10.4 The Committee is authorised to obtain, at the Company's expense, external accounting and other professional advice on any matter within its terms of reference.
- 10.5 The Committee will safeguard the independence and objectivity of the external and internal auditors and oversee the performance of the external auditors, the Group Audit Director and the Internal Audit function. In doing so the Committee will ensure that the Group Audit Director is a regular attendee at meetings of the Committee and has unmediated access to the Company Chairman, the Board, the external auditor and regulatory authorities as necessary.

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**Version approvals**

<b>Version</b>	<b>Approved by AC</b>	<b>Approved by Board</b>	<b>Posted on website</b>
1	24 June 2020	25 June 2020	18 November 2020