



**Rothesay Life**  
***Audit Committee***  
***Terms of Reference***  
**September 2019**

## Audit Committee Terms of Reference

Issued: 17 September 2019

### 1. Definitions

Annual Report	The Group's annual report and accounts
Board	Rothesay Holdco UK Limited board of directors
Board Risk Committee	Board risk committee of Rothesay Life Plc
Chair	Chair of the Committee
Chief Auditor	Head of Internal Audit
Chief Compliance Officer	The Group's chief compliance officer
Chief Executive Officer	The Group's chief executive officer
Chief Financial Officer	The Group's chief financial officer
Committee	Rothesay Holdco UK Limited Audit Committee
Company	Rothesay Holdco UK Limited
Company Secretary	The company secretary(s) for Rothesay Holdco UK Limited
Executive Director	Executive director of the Company or Rothesay Life Plc
Group	Rothesay Holdco UK Limited and its subsidiaries
Independent Non-Executive Director	Non-Executive Director of the Company or Rothesay Life Plc who is independent in the opinion of the Board
Internal Audit	The Group's internal audit function
Nomination Committee	Nomination Committee of Rothesay Holdco UK Limited
Non-Executive Director	Director of the Company or Rothesay Life Plc who is not an Executive Director

### 2. Purpose

To assist the Board in fulfilling its oversight responsibilities for the Group's financial reporting process, the system of internal control, the audit process and each Group company's process for monitoring compliance with laws and regulations and the Wates Corporate Governance Principles for Large Private Companies. The responsibility and authority of the Committee covers the whole of the Group's business. The activities of the Committee should involve liaison with the chair of the Board Risk Committee to ensure the coordination of the oversight being performed by each committee.

### 3. Membership

- 3.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chair.
- 3.2 Appointments shall be for a period of up to three years, extendable by additional periods of three years, so long as members continue to meet the criteria for membership of the Committee.

- 3.3 The Committee shall consist of not less than three members. Membership shall include at least one member of the Board Risk Committee.
- 3.4 All members of the Committee shall be Non-Executive Directors, and the majority of the members shall, in the opinion of the Board, be Independent Non-Executive Directors. At least one member shall have been determined by the Board to have recent and relevant financial expertise with a professional qualification from one of the professional accountancy, actuarial or audit bodies. The chair of the Board shall not be a member of the Committee.
- 3.5 The Board shall appoint the Chair who should be an Independent Non-Executive Director.

#### **4. Meetings and Attendance**

- 4.1 Only members of the Committee have the right to attend Committee meetings. Other individuals such as Board or Rothesay Life Plc Board members, member of senior management (including the heads of risk, compliance and Internal Audit) and any external advisers appointed by the Committee may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 4.2 The external auditors of the Group will be invited to attend meetings of the Committee on a regular basis.
- 4.3 In the absence of the Chair, the remaining members present shall elect one of the Independent Non-Executive Directors to chair the meeting.

#### **5. Quorum and voting**

- 5.1 The quorum necessary for the transaction of business shall be three members including two Independent Non-Executive Directors.
- 5.2 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.
- 5.3 Only members of the Committee may vote at Committee meetings.
- 5.4 Matters arising at any Committee meeting shall be determined by a majority of votes.
- 5.5 In the case of an equality of votes, the Chair shall have a second or casting vote (unless he/she is not entitled to vote on the resolution in question).

#### **6. Approvals in writing**

The Committee may exercise all or any of the authorities, powers and discretions vested in or exercisable by it by written resolution. Any such written resolution may be effected by email. The quorum for approval of any written resolution by the Committee shall be three members including two Independent Non-Executive Directors, indicating their agreement to the same.

#### **7. Secretary**

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

7.2 The secretary of the Committee shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## **8. Frequency and Notice of Meetings**

8.1 The Committee shall meet not less than six times a year at appropriate times in the reporting and audit cycle and otherwise as required.

8.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of the Chair.

8.3 The Chair, any other member of the Committee, the external auditor or the Chief Auditor, may convene additional meetings at any time to deal with matters in the remit of the Committee.

8.4 The chair of the Board, the Chief Executive Officer, the Managing Director or the Chief Financial Officer may also request a meeting, via the Chair, if considered necessary.

8.5 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 three working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

## **9. Minutes of Meetings**

9.1 The secretary of the Committee shall minute the proceedings of all meetings of the Committee including recording the names of those present and in attendance and retain copies of the papers.

9.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the Chair it would be inappropriate to do so.

9.3 The secretary of the Committee shall record all actions, and ensure that they are clearly assigned, completed and reported back to the Committee.

9.4 Final signed copies of the minutes of the Committee should be maintained for the Company's records.

## **10. Duties**

The Committee is responsible for:

### **10.1 Financial/Actuarial Reporting**

10.1.1 monitoring the integrity of the financial statements of the Group, including its annual and half yearly reports and any formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain;

10.1.2 monitoring the integrity of the Group's disclosures under Pillar 3 of Solvency II (including, but not limited to, the Solvency and Financial Condition Report, the Regular Supervisory Report and Quantitative Reporting Templates);

### 10.1.3 reviewing and challenging where necessary:

- (i) the consistency of, and any changes to, accounting policies on a year on year basis;
- (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 judgement;
- (iv) the clarity and completeness of disclosure in the Group's financial reports and the context in which statements are made;
- (v) the going concern disclosures to be included in the Annual Report, all material information presented with the financial statements and related regulatory filings before release and considering the accuracy and completeness of the information;
- (vi) interim financial reports with management and the external auditors before filing with regulators and considering whether they are complete and consistent with the information known to Committee members;
- (vii) the financial reporting process generally and submitting recommendations or proposals to ensure its integrity; and
- (viii) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, reporting its views to the Board;

### 10.1.4 reviewing reports from the Group's chief actuary.

### 10.1.5 reviewing the Group's compliance with its statutory tax obligations.

## 10.2 Internal Controls

### 10.2.1 keeping under review the effectiveness of the Group's internal controls;

### 10.2.2 reviewing and approving the statements to be included in the Annual Report concerning internal controls and internal control and risk management systems;

### 10.2.3 understanding the scope of the internal and external auditors' review of internal control over financial reporting and obtaining reports on significant findings and recommendations, together with management's responses.

## 10.3 Compliance, Whistleblowing and Fraud

### 10.3.1 reviewing 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;

### 10.3.2 reviewing the Group's procedures for detecting fraud;

### 10.3.3 reviewing the Group's systems and controls for the prevention of bribery and receiving reports on non-compliance;

- 10.3.4 reviewing regular reports from the Money Laundering Reporting Officer and reviewing the adequacy and effectiveness of the Group's anti-money laundering systems and controls;
- 10.3.5 reviewing regular reports from the Chief Compliance Officer and keeping under review the adequacy and effectiveness of the Group's compliance function, and ensuring that it is separate and independent from the other functions and activities of the Group;
- 10.3.6 meeting the Chief Compliance Officer at least once a year, without management being present, to discuss the remit of the compliance function and any issues arising;
- 10.3.7 reviewing any substantive communications from regulators or governmental agencies in relation to the Group;
- 10.3.8 reviewing the process for communicating the code of conduct and business principles applicable to Group personnel and for monitoring compliance with the same;
- 10.3.9 overseeing the activities of the Group's Customer and Conduct Committee;
- 10.3.10 monitoring regulatory compliance.

#### 10.4 Internal Audit

- 10.4.1 monitoring and reviewing the effectiveness of Internal Audit function in the context of each Group company's overall risk management system;
- 10.4.2 ensuring the Chief Auditor has direct access to the Board chair and to the Chair, and is accountable to the Committee;
- 10.4.3 approving the appointment and removal of the Chief Auditor and authorising the Chair on behalf of the Committee to determine the objectives of the Chief Auditor and evaluate his/her levels of achievement;
- 10.4.4 approving the appointment and removal of any co-source internal audit arrangements;
- 10.4.5 considering and approving the remit of Internal Audit and ensuring it has adequate resources, budget and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. Confirmation of this should be disclosed in the Annual Report. The Committee shall also ensure that Internal Audit has adequate standing and is separate and independent from the other functions and activities of the Group;
- 10.4.6 reviewing and assessing the annual plan of proposed activities for the Group prepared by the Chief Auditor;
- 10.4.7 receiving a report on the results of Internal Audit's work, its findings and recommendations on a periodic basis and at least three times a year;
- 10.4.8 promptly reviewing all reports from Internal Audit;
- 10.4.9 reviewing and monitoring management's responsiveness to the findings and recommendations of Internal Audit;

10.4.10 meeting the Chief Auditor at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out.

## 10.5 External Audit

10.5.1 considering and making recommendations to the Board, in relation to the appointment, re-appointment and removal of the external auditors of the Group. 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;

10.5.2 overseeing the relationship with and between the external auditors including (but not limited to):

- (i) approving their remuneration, including whether fees for audit and non-audit services are appropriate to enable an adequate audit to be conducted;
- (ii) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (iii) reviewing the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;
- (iv) annually assessing their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of any non-audit services;
- (v) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Group (other than in the ordinary course of business);
- (vi) 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 Group compared to the overall fee income of the firm and other related requirements;
- (vii) agreeing with the Board a policy on the employment of former employees of the external auditor and monitoring the implementation of this policy;
- (viii) annually assessing 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;
- (ix) seeking to ensure co-ordination with the activities of Internal Audit;
- (x) evaluating the risks to the quality and effectiveness of the financial reporting process;
- (xi) in respect of the tender process for the external auditor, overseeing the selection process and ensuring that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;

10.5.3 meeting regularly with the external auditor, including after the external audit at the reporting stages. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;

- 10.5.4 reviewing and approving the annual external audit plan and ensuring that it is consistent with the scope of the external auditor's engagement;
- 10.5.5 reviewing the findings of the external audit with the external auditor. This shall include, but not be limited to, the following;
- (i) a discussion of any major issues which arose during the audit;
  - (ii) any accounting and audit judgements;
  - (iii) levels of audit adjustments or errors identified during the audit; and
  - (iv) the effectiveness of the audit.
- 10.5.6 reviewing any representation letter(s) requested by the external auditor before they are signed by management;
- 10.5.7 reviewing the management letter and management's response to the external auditor's findings and recommendations;

## **11. Governance and Reporting Responsibilities**

- 11.1.1 The Chair shall report formally to the Board on its proceedings after each meeting on all matters within its remit. In particular the Committee shall inform the Board of the outcome of the external audit and how the external audit contributed to the integrity of the financial reporting of the Group and the Committee's role in that process.
- 11.1.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed and if it is not satisfied with any aspect of the Group's systems, procedures or policies for financial reporting, Internal Audit, external audit, internal controls, compliance, whistleblowing, fraud and/or risk management or any other matters within its duties or remit above, the Committee shall promptly report its views to the Board.
- 11.1.3 The Committee shall, if appropriate, produce a report on its activities to be included in the Annual Report.
- 11.1.4 The Chief Auditor shall have a right of direct access to the Chair.

## **12. Authority**

The Board authorises the Committee:

- 12.1 to seek any information it requires from any employee in order to perform its duties;
- 12.2 to obtain, at the Group's expense, external legal or other professional advice on any matter within these Terms of Reference;
- 12.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 12.4 to delegate any of its duties, as appropriate, to such person or persons as it sees fit.

### **13. Annual Performance Evaluation and Terms of Reference**

The Committee should conduct an annual performance evaluation of the Committee regarding its activities and effectiveness, including member participation, and provide the results of the evaluation to the Board. The evaluation should include an assessment of the performance of the Committee against the duties and responsibilities set out in these Terms of Reference and should entail a review of these Terms of Reference. The Committee should recommend any changes it considers necessary to these Terms of Reference to the Board.

### **14. Other Matters**

The Committee shall:

- 14.1 have access to sufficient resources in order to carry out its duties, including access to the Group's company secretariat function for assistance as required;
- 14.2 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;
- 14.3 give due consideration to laws and regulations, including the general duties of directors set out in the Companies Act 2006, and other provisions, requirements and applicable rules, as appropriate;
- 14.4 oversee any investigation of activities which are within these Terms of Reference; and
- 14.5 where requested by the Board, review the content of the Annual Report and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

**Approved by the Board on 17 September 2019**