

## UTMOST LIFE AND PENSIONS LIMITED Audit Committee Terms of Reference



### 1. Constitution

The Audit Committee is a sub-committee of Utmost Life and Pensions' ("ULP", "the Company") Board of Directors and has been delegated responsibility for monitoring the integrity of ULP's financial statements and the adequacy and effectiveness of internal controls. In addition to its statutory financial reporting and accounts disclosures, this includes the responsibility for:

- the review of disclosures to the supervisory authority, including the SFCR; and
- the review of all IFRS17 reporting to the Utmost Group.

As of January 2020, the Audit Committee also has delegated responsibility from the Board of the Equitable Life Assurance Society ("ELAS") to consider all relevant matters in relation to ELAS, being a wholly owned subsidiary of ULP, and to report and make recommendations to the ELAS Board accordingly.

### 2. Purpose and Authority

The Committee is authorised by the ULP and ELAS Boards to:

- **Financial reporting** - review and challenge financial statements, regulatory reporting and accounting policies;
- **Internal controls** – review financial and internal controls and approve statements in annual reports;
- **External audit** - consider appointments of (including terms, conflicts and fees) and key

contact with external auditors. Review audit plans and findings;

- **Internal audit** - review the effectiveness of the Internal Audit function and its adherence to internal control and risk management requirements. Have dotted line management for the Head of Internal Audit and ensure adequate resources are in place. Review audit plans and reports produced. Ensure all audit issues / findings raised are tracked to resolution and conclusion;
- **Whistleblowing** - review the procedures and approaches to whistleblowing and report on this, with overall whistleblowing responsibility for the company sitting with the chair of the Audit Committee;
- investigate any activity within its ToR;
- seek any information that it requires from any employee of the Company or the Group involved in the provision of services to the Company or to ELAS, and all such employees are directed to co-operate with any request made by the Committee and seek any information from any employee of an external service provider; and
- obtain outside legal or professional advice as necessary to fulfil its ToR, where such advisors may attend meetings as necessary.

### 3. Membership/Organisation

The Members of the Committee shall be appointed by the Board following consultation with the Chairman. The Committee will be composed of at least three members at all times. The Committee must be composed only of Non-Executive Directors. At least one member of the Committee must have competence in accounting and/or auditing. The remaining members should at a minimum have experience of dealing with financial and accounting matters.

The Chair shall be appointed by the Board, and shall be an Independent Non-Executive Director. In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting. The Chair of each meeting shall be an Independent Non-Executive Director.

The Company's Chief Executive, Chief Financial Officer, Chief Actuary and Head of Internal Audit shall be invited to attend meetings of the Committee. In addition to appointed members, the Chair may invite other persons to attend all or part of any meeting.

Furthermore, the Head of Internal Audit shall have direct access to the Committee as appropriate.

The membership and role of Chair of the Committee will be reviewed each year by the Board in consultation with the Chair to ensure that an appropriate balance is maintained between

experience and independence. Changes as required will be recommended to the Board thereafter. The appointment of members to the Committee shall be for a period of up to 3 years, extendable up to 2 further periods of 3 years.

The Committee shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.

The quorum for meetings shall be two members (of whom at least one shall be an Independent Non-Executive Director and at least one shall be a Founding Non-Executive Director). If necessary either Founding Non-Executive Director may grant delegated authority to any individual to represent the Founders at a given meeting, should they be absent, to allow it to be quorate.

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.

Any member of the Committee who has a personal interest in the matters to be considered by the Committee is to declare that interest in advance of such discussions. The member should absent themselves from any discussions on these items.

## **4. Meetings**

The Committee shall meet at least four times a year, normally quarterly and at such other times as the Chair considers necessary or appropriate. In addition, ad-hoc meetings shall be held whenever it is necessary to discuss any significant or critical aspects concerning the Company's or ELAS's financial control affairs and/or related matters.

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

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, standing invitees and any other person required to attend, no later than 5 working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other invitees as appropriate, at the same time.

The Company Secretary or their nominee shall be Secretary of the Committee. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

The Chair shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and the Secretary shall minute them accordingly.

The Committee shall be authorised to seek any information that it requires from any employee of the Company, any employee of a Group company involved in the provision of services to the Company or ELAS, or any employee of an external service provider.

## 5. Responsibilities

The responsibilities of the Committee are to:

### Financial Reporting

- Monitor the integrity of the financial statements of the Company and ELAS, reviewing significant narrative and financial reporting issues and judgements contained in them, and advise the Board and the ELAS Board on whether or not the financial statements 'give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the period';
- Monitor the integrity of the RSR, SFCR, QRTs and TMTF reporting and advise the Board and the ELAS Board on whether or not they have been properly prepared in all material respects in accordance with the Prudential Regulatory Authority ("PRA") rules and Solvency II Regulations.
- Monitor the integrity of the IFRS17 financial statements, prepared for the purposes of consolidated Utmost Group IFRS17 reporting, and advise the Board and the ELAS Board on whether or not these statements provide a true and fair view of the state of affairs, and profit or loss, of the Company for the period.
- In particular, the Committee shall review and challenge where necessary:
  - The consistency of, and changes to, accounting policies on a year on year basis;
  - The methods used to account for significant or unusual transactions where different approaches are possible;
  - Whether the Company and ELAS has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - The outcome of the statutory audit (explaining to the Board how the statutory audit contributed to the integrity of financial reporting);
  - The clarity of disclosure in the financial reports and the context in which the statements are made; and
  - All material information presented with the financial statements, such as any business or financial review (insofar as it relates to the audit).

### Internal controls

- Keep under review the adequacy and effectiveness of the financial and internal controls; and
- Review and approve statements included in the annual report concerning internal controls.

## **Whistleblowing**

- Review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate, autonomous and independent investigation of such matters and appropriate follow up action. The Committee may carry out such investigation and follow up action when appropriate.

## **Internal Audit**

- Monitor and review the effectiveness of the internal audit function;
- Approve the appointment and removal of the Head of Internal Audit. If the Head of Internal Audit resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- Consider and approve the remit of the internal audit function and ensure that it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is independent of Management and other restrictions.
- Review and assess the annual internal audit plan;
- Review reports addressed to the Committee from the internal audit function;
- Review and monitor Management's responsiveness to the findings and recommendations of the internal audit function; and
- Meet the Head of Internal Audit regularly, without Management being present, to discuss the function's remit and any issues arising from the internal audits carried out. In addition, the internal audit function shall be given the right of access to the Chair of the Board and the Committee.

## **External Audit**

- Consider and make recommendations to the Board and the ELAS Board, to be put to the shareholder for approval in relation to the appointment, re-appointment and removal of the company's and ELAS's external auditor. The Committee shall oversee the selection process for a new external auditor and if an external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- Oversee the relationship with the external auditor via the Chief Financial Officer including (but not limited to):
  - Recommendations of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - Assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including provision of any non-audit services;
  - Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company or ELAS (other than in the ordinary course of business);
  - Agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy
  - Monitoring of the auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company

- or ELAS compared to the overall fee income of the firm, office and partner and other related requirements;
- 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;
  - Seeking to ensure co-ordination with the activities of the internal audit function;
  - Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit reporting stage. The Committee shall have the option to meet the external auditor at least once a year, without Management being present, to discuss the auditor's remit and any issues arising from the audit;
  - Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement; and
  - Review the findings of the audit with the external auditor.
- Review any representation letter(s) requested by the external auditor before they are signed by Management;
  - Review the Management letter and Management's response to the external auditor's findings and recommendations; and
  - Maintain a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

## 6. Reporting Procedures

The Committee shall operate under delegated authority from the Board and the ELAS Board, and the Chair shall report formally to the Board and the ELAS Board on the key aspects of its proceedings after each meeting. Operational issues will be addressed to the Chair of the Risk and Compliance Committee. With-Profits issues will be addressed to the Chair of the With-Profits Committee. The Committee shall make whatever recommendations to the Board it deems appropriate regarding any matter within its remit where action or improvement is needed.

The Secretary shall circulate the minutes of meetings to all members of the Committee in advance of the next Committee meeting. The Board shall receive a copy of the most recent minutes from the latest Committee for review.

Committee members shall conduct an annual review of their work and this ToR and report to the Board on their activities during the year. As part of the latter there shall be an attestation by the Chair of the Committee as to any areas of the Terms of Reference that have not been met.

## Appendix: Abbreviations and Definitions

The titles and functions in this document apply to both genders.

<b>Board</b>	Board of Directors of Utmost Life and Pensions Limited
<b>Committee</b>	The Committee to which these Terms of Reference are directed
<b>Company</b>	Utmost Life and Pensions Limited
<b>Director Independence</b>	<p>Independence is defined as the ability to exercise sound judgement and decision making independent of the views of Management, political interests or inappropriate outside interests. In determining Director Independence the following criteria are to be considered:</p> <ol style="list-style-type: none"><li>i. Has been an employee of the company or group within the last five years</li><li>ii. Has, or has had within the last three years, a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company;</li><li>iii. Has received or receives additional remuneration from the Company apart from a director's fee, participates in the Company's share option or a performance related pay scheme, or is a member of the Company's pension scheme;</li><li>iv. Whether the individual represents a significant shareholder;</li><li>v. Holds cross-directorships or has significant links with other directors through involvement in other companies or bodies;</li><li>vi. Has close family ties with any of the Company's advisers, directors or senior employees; and</li><li>vii. Has served on the board for more than nine years from the date of their first election.</li></ol>

<b>ELAS</b>	The Equitable Life Assurance Society
<b>ELAS Board</b>	The Board of Directors of the Equitable Life Assurance Society
<b>Independent Non-Executive Director</b>	Non-executive director who satisfies the criteria for director independence
<b>Founding Non-Executive Directors</b>	Paul Thompson and Ian Maidens
<b>Management</b>	Members of ULP's Senior Management Team
<b>Non-Executive Director</b>	A Director without executive management responsibilities for the institution
<b>QRTs</b>	Quantitative Reporting Templates
<b>RSR</b>	Regular Supervisory Report
<b>SFCR</b>	Solvency and Financial Condition Report
<b>TMTP</b>	The Transitional Measure on Technical Provisions
<b>ToR</b>	Terms of Reference
<b>ULP</b>	Utmost Life and Pensions Limited