



Prepared by: Legal & Secretarial
Version: 5.0
Status: Signed Off
Owned by: Group Board
Authorised by: Group Board
Dept: Legal & Secretarial
Sign-Off Date: 25/11/2020

GROUP AUDIT COMMITTEE TERMS OF REFERENCE

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Document Control

Document History

Date	Version	Key Changes	Distributed To
15/11/2016	V0.1	Adoption of new template and updated to reflect changes to the UK Corporate Governance Code 2016 and the Statutory Audit Directive.	GAC
28/02/2017	V1.1	Updated to reflected regulatory reporting requirements	GAC
07/03/2017	V1.1	Updated to reflected regulatory reporting requirements	Group Board
13/08/2018	V2.1	Updated to reflected regulatory reporting requirements	GAC
12/11/2019	V3.1	Updated to better reflect the UK Corporate Governance Code 2018 (the Code) and other Committees	GAC
11/11/2020	V4.1	2020 Review: Minor typographical errors.	GAC

Document Sign-Off

Authorised by	Department	Version Signed-Off	Sign-Off Date
GAC	N/A	V1.0	22/11/2016
Group Board	N/A	V2.0	15/03/2017
Group Board	N/A	V3.0	21/08/2018
Group Board	N/A	V4.0	27/11/2019
Group Board	N/A	V5.0	25/11/2020

Contents

- 1. Constitution4
- 2. Membership4
- 3. Secretary.....5
- 4. Quorum5
- 5. Attendance at Meetings.....5
- 6. Notice of Meetings.....5
- 7. Minutes of Meetings5
- 8. Voting arrangements6
- 9. Annual General Meeting.....6
- 10. Role6
- 11. Duties.....6
 - 10.1. Financial Reporting6
 - 10.2. Regulatory Reporting8
 - 10.3. Risk Management Systems and Internal Controls8
 - 10.4. Whistleblowing9
 - 10.5. Tax.....9
 - 10.6. Internal Audit.....9
 - 10.7. External Audit.....10
 - 10.8. Reporting Responsibilities.....13
 - 10.9. Other Matters14
- 12. Authority.....15

1. Constitution

- 1.1 The Group Audit Committee (“the **Committee**”) was constituted as a committee of the Board of Directors of both Ecclesiastical Insurance Group plc and Ecclesiastical Insurance Office plc (the Group Board) in accordance with the articles of association of each Company
- 1.2 The Committee has the delegated authority of the board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which will report to the Committee.

2. Membership

- 2.1. Members of the Committee shall be appointed by the Board, on the recommendation of the Group Nominations Committee in consultation with the Committee Chairman.
- 2.2. The Committee shall comprise a minimum of three members, all of whom shall be independent Non-Executive Directors (NEDs). At least one of whom shall have recent and relevant financial experience and competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the firm is operating.
- 2.3. A member of the Group Risk Committee shall serve as a member of the Committee.
- 2.4. The Chairman of the Board shall not be a member of the Committee.
- 2.5. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group Chief Executive Officer (GCEO), Group Chief Financial Officer (GCFO), Group Chief Internal Auditor (GCIA) and the External Auditors may be invited to attend all or part of any meeting as and when appropriate.
- 2.6. The Board shall appoint the Committee Chairman who shall be an independent NED. 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.
- 2.7. Appointments to the Committee shall be for a period of up to three years, which may be extended for a further three-year period and annually thereafter, provided the director continues to hold office and remains independent and approved by the Shareholder.
- 2.8. Any Board member may attend any Committee meeting with the prior consent of the Committee’s Chairman, whose consent may not be unreasonably withheld.

3. Secretary

- 3.1. The Company Secretary or his/her nominee shall act as the Secretary of the Committee.

4. Quorum

- 4.1. The quorum necessary for the transaction of business shall be two members (including whenever possible, at least one member with recent and relevant financial experience) present in person, by audio or video conference.
- 4.2. 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. Attendance at Meetings

- 5.1. The Committee shall meet at least quarterly and otherwise as required.
- 5.2. Outside of the formal meeting programme, the Committee Chairman shall maintain a dialogue with key individuals involved in the Company's governance, including the Group Chairman, the Group Chief Executive Officer, the GCFO, the external audit lead partner and the GCIA
- 5.3. Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conference.

6. Notice of Meetings

- 6.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of GCFO, external or internal auditors if they consider it necessary.
- 6.2. 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, any other person required to attend and all other NEDs, no later than five 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.

7. Minutes of Meetings

- 7.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2. Minutes of Committee meetings shall be circulated to all members of the Committee and once agreed, to all members of the Board.
- 7.3. A resolution in writing and signed by all members of the Committee (including by electronic means) will be as effective as a resolution passed at a Committee Meeting.

8. Voting arrangements

- 8.1. Subject to paragraph 8.2, each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting whether in person, by audio or video conference.
- 8.2. If a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting unless authorised to do so by the other members of the Committee.
- 8.3. The Committee Chairman may ask any member or attendee to leave the meeting to allow discussions matters of a confidential nature or of relating to them.

9. Annual General Meeting

- 9.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

10. Role

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:

- 10.1. the integrity of the financial, narrative and regulatory statements and other financial information;
- 10.2. the Group's system of internal controls and risk management (including whistleblowing arrangements);
- 10.3. the internal and external audit process and auditors; and
- 10.4. the processes for compliance with laws, regulations and ethical codes of practice.

11. Duties

The Board is responsible for determining the role and remit of the Committee.

The Committee should carry out the duties below having regard to the Group as a whole.

11.1. Financial Reporting

- 11.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports,, significant financial reporting judgements and any other formal announcement relating to its financial performance, issues and judgements which they contain.

11.1.2. The Committee shall report on its role and performance in the annual report, including:

- a) details on the membership of the Committee, number of meetings held, attendance over the course of the year and how composition requirements have been met;
- b) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to the matters communicated to it by the external auditor including:
 - the nature and extent of interaction (if any) with the Financial Reporting Council's (FRC) Corporate Reporting Review team; and
 - where a company's audit has been reviewed by the FRC's Audit Quality Review team, the Committee should discuss the findings with their auditors and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions they and the auditors plan to take. This discussion should not include disclosure of the audit quality category.
- c) an explanation of its assessment of the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company/Group, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or reappointment including the length of the incumbent, when a tender was last conducted, the current audit partner name and for how long the partner has held the role, advance notice of a retendering plan (and reasons why completing the process in that proposed financial year is in the best interests of the Company's members) and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;
- d) the Committee's policy for approval of non-audit services, how auditor objectivity and independence is safeguarded, the audit fees for the statutory audit for audit related services and other non-audit services, including the ratio of audit to non-audit work, and for each significant engagement, or category of engagements, what the services are and why the Committee concluded that it was in the Company's interests to purchase them from the external auditor;
- e) an explanation of how the Committee has addressed the effectiveness of the internal audit process;
- f) how the audit committee's performance evaluation has been conducted; and
- g) all other information requirements set out in the Code.

11.1.3. The Committee shall review and challenge where necessary:

- a) that the annual report and accounts, taken as a whole, are fair, balanced, and understandable, and provides the information necessary for shareholders to assess the Group's performance, business model and strategy;

- b) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
- c) the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
- d) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- e) the clarity and completeness of disclosures in the Company's financial reports and any changes to those disclosures, including the review of the correspondence between the Company and the External Auditor;
- f) significant adjustments resulting from the external audit;
- g) all material information presented with the financial statements, such as the strategic report and the corporate governance statement (insofar as it relates to the audit and risk management); and
- h) the assumptions or qualifications in support of the going concern statement (including material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including the assessment of the prospects of the Company/Group looking forward over an appropriate and justified period).

11.1.4. The Committee will, following its review, report on any aspect of the proposed financial reporting that it is not satisfied with.

11.2. Regulatory Reporting

The Committee shall:

- 11.2.1. review the Annual Quantitative Reporting Template (AQRT) and recommend to the Board for approval;
- 11.2.2. review the Annual Solvency and Financial Condition Report (SFCR) and the Regulatory Supervisory Report (RSR) and recommend to the Board for approval; and
- 11.2.3. review the Quarterly Quantitative Reporting Template (QRT) and in the event of material changes to the Economic Capital Requirement / Solvency Capital Requirement (SCR) inform the Board.

11.3. Risk Management Systems and Internal Controls

The Committee shall:

- 11.3.1. review the Group's internal financial controls and the system of internal controls;

- 11.3.2. carry out an annual review of the effectiveness of the Group's system of internal controls (including consideration management reports on the effectiveness of the established financial control systems and conclusions of testing carried out by internal and external auditors);
- 11.3.3. review and approve the statements to be included in the Annual Report concerning internal controls
- 11.3.4. where requested by the board provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;
- 11.3.5. Review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively; and
- 11.3.6. Consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate;

11.4. Whistleblowing

The Committee shall:

- 11.4.1. review the adequacy and security of the Group's arrangements for its workforce to raise concerns, in confidence and anonymously, 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;
- 11.4.2. support the Whistleblowing Champion, currently the Committee Chairman, in fulfilling their respective duties as laid out in the Senior Managers and Certification Regime (SMCR);

11.5. Tax

The Committee shall review the Group's tax strategy and policies.

11.6. Internal Audit

The Committee shall:

- 11.6.1. approve the appointment and removal of the Group Chief Internal Auditor;

Ecclesiastical Insurance Group PLC (Company No. 01718196)

Ecclesiastical Insurance Office PLC (Company No. 00024869)

Group Audit Committee – Terms of Reference

- 11.6.2. monitor and review the effectiveness of its work and annually approve the internal audit charter ensuring that it is appropriate for the Group's needs;
- 11.6.3. review and approve the annual internal audit plan to ensure that it is aligned to the Group's key risks;
- 11.6.4. ensure that the internal audit function has unrestricted scope, necessary resources and appropriate access to information to enable it to perform its function effectively and in accordance with the appropriate professional standards for internal auditors. The Committee shall also ensure that the function has adequate standing and is free from management or other restrictions;
- 11.6.5. ensure that the Group Chief Internal Audit has direct access to the Chairman of the Board and to the Committee; and is accountable to the Committee;
- 11.6.6. review and assess the annual internal audit plan and be advised of the reasons for any changes or delay in the plan and ensure co-ordination between the internal and external auditors;
- 11.6.7. review summary reports on the Company from the internal auditors on a periodic basis;
- 11.6.8. determine whether it is satisfied that the quality, experience and expertise of internal audit are appropriate for the business;
- 11.6.9. review and monitor management's responsiveness to the findings and recommendations of Internal Audit and management's actions to support the effective working of the internal audit function;
- 11.6.10. monitor and review the role and effectiveness of the internal audit function in the context of the Company's / Group's overall risk management system, and the work of Group Compliance, Group Finance and the external auditor, ensuring that the internal audit plan is aligned to the Group's key risks. An independent review should be performed every five years;
- 11.6.11. Ensure that there is open communication between the different functions and that the internal audit function evaluates the effectiveness of risk, compliance and finance functions as part of its audit plan;
- 11.6.12. meet the Group Chief Internal Auditor at least once a year, without other management being present, to discuss their remit and issues arising from the internal audits carried out; and
- 11.6.13. consider whether an independent, third party review of internal audit effectiveness and processes is required.

11.7. External Audit

The Committee shall, taking into account any applicable law and legislation, other professional requirements and the Financial Reporting Standard's Revised Ethical Standard 2016 (Ethical Standard):

Appointment, reappointment and resignation

- 11.7.1. consider and make recommendations to the Board, including an explanation, regarding the appointment and/or removal of the Company's External Auditor. This information should be provided to shareholders at the AGM and disclosed in the annual report, and should also include, if applicable, reasons for the Board having taken a different position to those recommended by the Committee;
- 11.7.2. ensure that at least once every ten years the audit services contract is tendered to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor to those of other audit firms and, in respect of such tender, develop and oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- 11.7.3. if an external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 11.7.4. evaluate the risks to the quality and effectiveness of the financial reporting process in light of the External Auditor's communication with the Committee and consider the need to include the risk of withdrawal of the External Auditor from the markets in that evaluation;

Terms and Remuneration

- 11.7.5. oversee the relationship with the External Auditor and agree their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and in consultation with the executive directors, agree their remuneration (including fees for both the audit and non-audit services) to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;
- 11.7.6. monitor the level of fees paid by the Company to the External Auditor compared to the overall fee income of the firm, office and partner and assess these in the context of the legal, professional and regulatory requirements, guidance and the Ethical Standard;

Independence and expertise

- 11.7.7. annually assess their independence and objectivity taking into account relevant (UK) law, the Ethical Standard and other professional and regulatory requirements and the relationship with the external auditor as a whole, including any threats to the Auditor's independence and safeguards to mitigate those threats the provision of any non-audit services;
- 11.7.8. assess annually their qualifications, expertise and resources of the External Auditor and taking into account relevant UK professional and regulatory requirements, the effectiveness of the external audit process which shall include a report from the External Auditor on their own internal quality procedures;
- 11.7.9. seek re-assurance from the External Auditor and their staff and satisfy itself that they have no relationships with the Company / Group (other than in the ordinary course

of business) which could adversely affect the Auditor's independence and objectivity;

- 11.7.10. annually seek information from the External Auditor about policies and processes for maintaining independence and monitoring compliance with the relevant UK law, regulation and other professional requirements and the Ethical Standard (including guidance on the rotation of the audit partner and staff);
- 11.7.11. agree with the Board a policy on the employment of former employees of the Company's external auditor, taking into account the Ethical Standard and legal requirements then monitoring the application of this policy;
- 11.7.12. monitor the External Auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared with the overall fee income of the firm, office and partner and other related requirements;
- 11.7.13. review the External Auditor's report and their internal quality control procedures and consideration of the firms' annual transparency reports;
- 11.7.14. consider whether there is any benefit in using audit firms from more than one audit network;
- 11.7.15. consider rotation of audit partners and the timing relevant to the audit and benefits of continuity;

Non-audit services

- 11.7.16. develop and recommend to the Board, and implement a formal policy on the provision of non-audit services by the External Auditor (including including the Committee's approval of non-audit services and the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include assessment of:
 - a) threats to the external auditor's independence and objectivity and any safeguards in place to eliminate or reduce threats;
 - b) the nature of the non-audit services;
 - c) in light of the external audit firm's skills and experience, whether it is the most suitable supplier of the non-audit service;
 - d) the fees for the non-audit services, both for individual services and in aggregate, relative to the audit fee, including special terms and conditions; and
 - e) the criteria governing compensation of the individuals performing the audit;
- 11.7.17. ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity, satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the External Auditor and the Company / Group outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the auditor's independence and objectivity, or the audit process;
- 11.7.18. keep the provision of non-audit services under review;

Audit cycle

- 11.7.19. meet regularly with the External Auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the External Auditor at least once a year, without Management being present, to review and discuss the auditor's remit and the findings of the audit including (but not limited to):
- a) any major resolved or unresolved issues that arose during the audit;
 - b) key accounting and audit judgements;
 - c) the levels of errors identified during the audit;
 - d) how the External Auditors addressed the risks to audit quality; and
 - e) interactions with senior management and the finance team;
- 11.7.20. review and approve the annual audit plan, including planned levels of materiality, and proposed resources and ensure that it is consistent with the scope of the audit engagement and having regard to the seniority, expertise and experience of the audit team;
- 11.7.21. consider communication from the External Auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention including a review of material items of correspondence between the Company/Group and the external auditor;
- 11.7.22. review any representation letter(s) requested by the External Auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;
- 11.7.23. review, prior to its consideration by the Board, the external auditor's report to the directors and their management letter including Management's response to the external auditor's findings and recommendations;
- 11.7.24. assess the effectiveness of the audit process at the end of the audit cycle, including:
- f) reviewing whether the auditor has met the agreed audit plan and whether the External Auditor identified any risks to audit quality and, if so, how these were addressed;
 - g) understanding the reasons for changes to the audit plan;
 - h) considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions
 - i) obtaining feedback from key people on the conduct of the audit; and
 - j) reviewing and monitoring the content of the External Auditor's management letter and reporting to the board on the effectiveness of the audit process;

11.8. Reporting Responsibilities

- 11.8.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.8.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 11.8.3. The Committee should report to the Board on how it has discharged its responsibilities, including:
- a) Significant issues that it considered in relation to the financial statements and how these issues were addressed;
 - b) The Committee's assessment of the effectiveness of the external audit process and its' recommendation on the appointment or re-appointment of the external auditor; and
 - c) Any other issues on which the Board has requested the Committee's opinion. In doing so the Committee should identify any matters in respect of which it considers that action or improvement is needed, whether the subject of a specific request by the board or not, and make recommendations as to the steps to be taken.
- 11.8.4. The Committee should provide assurance to the Board on the matters required in the Code, that the narrative reporting at the front of the accounts is consistent with the accounting information in the back of the accounts.

11.9. Other Matters

The Committee shall:

- 11.9.1. consider other duties determined by the Board;
- 11.9.2. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 11.9.3. be provided with appropriate and timely training both in the form of an induction programme for new members and on ongoing basis for all members;
- 11.9.4. give due consideration to laws and regulations, in particular the directors' duties contained in the Companies Act 2006, the provisions of the Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules as appropriate.
- 11.9.5. have adequate time made available for discussion of any issue should a disagreement occur between the Committee and Board with a view to resolve the issue and if the issue cannot be resolved consider reporting the issue to shareholders as part of the report on its activities in the annual report;
- 11.9.6. work and liaise as necessary with all other Board Committees, taking particular account of the impact of risk management and internal controls to different committees;
- 11.9.7. be responsible for co-ordination of the internal and external auditors;
- 11.9.8. oversee any investigation of activities which are within its terms of reference; and
- 11.9.9. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. Authority

The Committee is authorised by the Board to:

- 11.1. seek any information it requires from any employee of the Group in order to perform its duties;
- 11.2. have unrestricted access to the Company's documents and to obtain, at the Company's expense, appropriate independent legal or other professional advice on any matter within its terms of reference;
- 11.3. secure the attendance of external advisers at its meetings if it considers necessary at the Company's expense; and
- 11.4. call any employee of the Group to be questioned at a meeting of the Committee, as and when required.