



FBD Holdings plc
Terms of Reference
– for –
Audit Committee

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1. OVERALL PURPOSE AND OBJECTIVES

The Audit Committee (the “Committee”) is a Committee of the Board of Directors (the “Board”) of FBD Holdings plc. The Chair and members of the Committee are appointed by the Board. The Audit Committee assists the Board of the Company in fulfilling its oversight responsibilities however the existence of the Audit Committee does not in any way diminish the overall responsibility of the Board for such matters as reviewing and approving the annual report of the Group. The Audit Committee reviews the financial reporting process, the system of internal control and management of financial risks, the audit process and the Group’s process for monitoring compliance with laws and regulations.

The Audit Committee will maintain effective working relationships with Management, the Statutory Auditor and the Head of Internal Audit. Each Committee member will obtain a sound understanding of the Group’s business, operations and risk.

In framing audit strategy, frameworks and policies, the Committee shall give full consideration to the principles and provisions of the Corporate Governance Requirements for Insurance Undertakings 2015 and UK Corporate Governance Code 2018 and shall take into account the long term interests of shareholders, investors and other stakeholders in the Group.

2. MEMBERSHIP AND ATTENDEES

- i). Members of the Committee and the Chair of the Committee will be appointed by the Board of the Company on the recommendation of the Nomination Committee.
- ii). The Committee will comprise at least 3 members, all of whom will be independent non-executive directors of the Company. Neither the Chair of the Board nor the CEO shall be a member of the Committee.
- iii). The Board shall satisfy itself that the Committee as a whole shall have recent and relevant financial experience and at least one member shall have an appropriate qualification.
- iv). Only members of the Committee have the right to attend Committee meetings. However, other individuals may be invited or required to attend meetings at the discretion of the Committee or the Committee Chair.
- v). The Company’s Chief Financial Officer and the Head of Internal Audit shall be regular attendees at Committee meetings.
- vi). External auditors will be invited to attend meetings of the Committee on a regular basis.
- vii). In the absence of the Committee Chair, the remaining members present shall elect one of their members present to chair the meeting.

3. VOTING RIGHTS

The Members of the Committee will be subject to the voting rights as detailed in the Company's Articles of Association. Save as otherwise provided by the Articles, a Director shall not vote at a meeting of the Committee of Directors on any resolution concerning a matter in which he/she has, directly or indirectly, an interest which is material or a duty which conflicts or may conflict with the interests of the Company. A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he/she is not entitled to vote.

4. SECRETARY

The Secretary of the Audit Committee will be the Deputy Company Secretary, or such other person as determined by the Board or, in the absence of any such determination, by the Committee Chair.

5. QUORUM

The Quorum necessary for the transaction of business shall be two members. 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.

6. FREQUENCY AND NOTICE OF MEETINGS

- i). Meetings will be held at least four times a year at regular intervals. Unscheduled meetings may be convened as required.
- ii). The Statutory Auditor, or the Head of Internal Audit, or any Audit Committee member, may request the Committee Chair to convene a meeting.
- iii). Notice of each meeting, together with the agenda and supporting papers, will be delivered to Audit Committee members in a timely manner before each meeting to enable full and proper consideration to be given to the issues.

7. MINUTES OF MEETINGS

- i). The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- ii). Minutes of Committee meetings shall be made available to all members of the Board via Diligent, once approved by the Committee.

8. ROLE AND RESPONSIBILITIES

The Audit Committee is responsible for discharging governance responsibilities in respect of audit, risk and internal control.

I. The Audit Committee will, in relation to internal control:

- a) Review and monitor the effectiveness and adequacy of the Group's internal financial controls, IT Systems and its internal control and risk management systems.
- b) Consider any significant fraud, illegal acts, and deficiencies in internal control or similar issues.
- c) Review the Company's statement on internal control systems prior to endorsement by the Board
- d) Review an annual report on the operation of the Speak Up Policy including the outcome of any investigations.

II. The Audit Committee will, in relation to financial reporting:

- a) Monitor and report directly to the Board of the Company on the integrity and clarity of the financial statements of the Group and any formal announcements relating to the Group's financial performance, reviewing significant financial reporting judgements contained in them.
- b) Where requested by the Board, the Committee shall provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.
- c) Pay particular attention to complex and/or unusual transactions and to the accounting policies applied.
- d) Committee shall review and challenge where necessary:
 - i). any new accounting policies and significant changes to existing accounting policies;
 - ii). the methods used to account for complex and/or unusual transactions;
 - iii). whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - iv). the clarity of disclosure in the Company's financial reports and the context in which statements are made;
 - v). all material information presented within the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);

- vi). Focus on significant judgmental areas and major audit adjustments;
and
- vii). Review compliance with legal requirements.

III. *The Audit Committee will, in relation to Internal Audit:*

- a) Monitor and review the activities, overall effectiveness and organisational structure of the Internal Audit function.
- b) Review and approve the remit and resources of the Internal Audit Department, including its annual budget.
- c) Review the independence, standing and scope of the Internal Audit Department and its relationship with the Statutory Auditor.
- d) Through the Chair, to consult with the Nomination and Governance Committee on the appointment/removal of the Head of Internal Audit.
- e) Additionally the Chair of the Audit Committee (in conjunction with the Chair of the Audit Committee FBD Insurance plc) is accountable for setting the objectives of the Head of Internal Audit, appraising his/her performance and recommending the remuneration of the Head of Internal Audit to the Remuneration Committee.
- f) Ensure that Management responds to the findings and recommendations made by the Internal Audit Department.
- g) Review and approve the Internal Audit Department's strategic and annual work plan and receive and consider the reports on work performed.
- h) Meet separately with the Head of Internal Audit at least annually to discuss any matters that the Committee or the Head of Internal Audit consider should be dealt with privately.
- i) Review and approve the Internal Audit Charter periodically.

IV. *The Audit Committee will, in relation to Statutory Audit:*

- a) Review and approve the Statutory Auditor's terms of engagement, proposed audit scope and approach.
- b) Review and approve the remuneration to be paid to the Statutory Auditor in respect of audit services provided.
- c) Review and monitor the independence and objectivity of the Statutory Auditor and the effectiveness of the audit process taking into consideration relevant professional and regulatory requirements.
- d) Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - i). a discussion of major issues which arose during the audit;

- ii). any accounting and audit judgements; and
- iii). levels of errors identified during the audit
- e) Develop and implement a policy on the engagement of the Statutory Auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence, taking into account relevant regulations and ethical guidance in this regard and reporting to the Board on any improvement or action required.
- f) Make recommendations to the Board regarding the appointment, re-appointment and removal of the Statutory Auditor.
- g) Meet separately with the Statutory Auditor, at least annually, to discuss any matters that the Committee or the Statutory Auditor consider should be dealt with privately.
- h) Ensure that significant findings and recommendations made by the Statutory Auditor (normally contained in the Management Letter) are received and discussed by the Committee on a timely basis and that Management responds to the findings and recommendations.
- i) Review any representation letter(s) requested by the Statutory Auditor before review by the Board.
- j) Make recommendations to the Board on the approval of the annual financial statements and semi-annual financial statements.

V. *The Audit Committee will, in relation to risk management:*

- a) Review the adequacy and effectiveness of the Group's process for the identification, impact assessment and occurrence assessment of regulatory, operational and financial risk.
- b) Review the adequacy and effectiveness of controls operated by Management to mitigate regulatory, operational and financial risk.
- c) Report to the Board at least annually on matters relating to the Group's process for risk assessment and Management action to mitigate risk.

In relation to its responsibilities to risk management the Audit Committee acknowledges and utilises the work of the Board Risk Committee which has defined roles and responsibilities as outlined in the Board Risk Committee Terms of Reference.

VI. *The Audit Committee will also:*

- a) Instigate special investigations as necessary, employing independent legal and other advice as appropriate.
- b) Annually review and update the Committee's Terms of Reference and receive approval from the Board for any changes.

- c) Evaluate the Committee's own performance annually.
- d) Evaluate the performance of the Internal Audit function on a regular basis and obtain an independent and objective external assessment at appropriate intervals.
- e) Review annually arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

9. REPORTING RESPONSIBILITIES

- a) Regularly update the Board of the Company on the Committee's activities ensuring that it is promptly made aware of any matters that may significantly impact the financial condition or affairs of the Group.
- b) An annual written report is also provided by the Committee to the Board outlining the Committee's activities and major recommendations.

10. ANNUAL GENERAL MEETING

- i). The Chair of the Committee shall attend the Annual General Meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

11. AUTHORITY

- i). The Committee is authorised by the board to seek any information it requires from any employee of the company in order to perform its duties.
- ii). In connection with its duties the Committee is authorised by the board to obtain, at the company's expense, any outside legal or other professional advice.