

TERMS OF REFERENCE

GROUP AUDIT & RISK COMMITTEE

A Board Committee, directly accountable to the Board, the Group Audit & Risk Committee's principal purpose is to provide oversight of the financial reporting process, the audit process, the Society's system of internal controls and compliance with laws and regulations, and to oversee and advise the Board on the Society's overall risk appetite, the current risk exposure and future risk strategy.

In all its deliberations, the Group Audit & Risk Committee will consider the risk of business decisions leading to customer detriment (Conduct Risk).

1. **Membership**

- 1.1 The Committee shall comprise at least five members, at least two of whom shall be independent non-executives and at least two of whom shall be branch-nominated non-executives. Members of the Committee shall be appointed by the Board, on the recommendation of the Group Nominations and Remuneration Committee.
- 1.2 The Committee shall be chaired by a non-executive member who shall hold the PRA's SMF10 and 11 Functions. In the absence of the Committee Chairman, members of the Committee may elect another of its suitably qualified members to chair the meeting.
- 1.3 The Chief Executive, the Chief Financial Officer and the Chief Risk Officer shall be invited to attend all meetings.
- 1.4 Only members of the Committee, other than as noted in 1.3 above, have the right to attend meetings, however, others may be invited to attend all or part of any meeting as and when deemed appropriate and necessary by the Board or by the Group Audit & Risk Committee.
- 1.5 Membership of the Committee will rotate from time to time in the event of any such recommendation from the Group Nominations and Remuneration Committee being agreed by the Board.
- 1.6 If a member of the Committee is unable to act due to absence, illness or other cause, the Board Chairman may appoint another Board member to serve temporarily as an alternative member.

2. **Secretary**

The Company Secretary or his or her nominee shall act as the secretary of the Committee.

3. **Decision-Making & Quorum**

- 3.1 All members of the Group Audit & Risk Committee shall have equal voting rights and the Chairman shall have a casting vote. Exceptionally, decisions may be taken by email between meetings.
- 3.2 Four members shall constitute a quorum at any meeting of the Committee.

4. **Frequency of Meetings**

The Committee shall meet at least four times a year at appropriate times and as otherwise required. Meetings shall be held as dictated by the timing of the Society Conference and Annual Report schedule, as set out in the governance calendar. Additional meetings will be convened by the secretary of the Committee at the request of any of its members or attendees.

5. **Notice of meetings**

Unless otherwise agreed, the agenda and supporting papers shall be circulated (electronically where possible) to Committee members, and to any other person required to attend, no later than 5 working days before the date of the meeting.

6. Minutes of Meetings

6.1 Minutes of meetings will be agreed by the Chairman of the Committee and distributed with the agenda and papers for the next Board meeting.

6.2 The Committee minutes will be formally approved at the start of the following meeting of the Committee.

7. Annual General Meeting

The Committee Chairman shall attend the annual general meeting to respond to questions from delegates on the Committee's activities.

8. Duties

The Committee will carry out the duties outlined below. In all its deliberations, the Committee will pay heed to the extent to which any of the subsidiaries pose a financial or reputational risk to the wider Benenden group.

The Committee shall:

- 8.1
- Provide independent assurance to the Board of the adequacy and effectiveness of the systems of financial reporting of the Benenden group from a group perspective, through supervision of the quality, independence and effectiveness of both the internal and external auditors, and internal controls;
 - Review the effectiveness of the Benenden group's Risk Management policy and related procedures, recommending any changes for Board approval;
 - Advise for the approval of the Board, the group's overall risk appetite (overall and in particular for business planning);
 - Monitor compliance with the Risk Management Policy and provide assurance to the Board; and
 - Oversee and advise the Board on the current risk exposure and future risk strategy of the Benenden group.

8.2 In relation to Internal Controls:

8.2.1 Monitor the adequacy of the Benenden group's systems of internal control from a group perspective, in particular the group's capability to identify and manage new risk types.

8.2.2 Monitor the manner in which management ensures and monitors the adequacy of the nature, extent and effectiveness of accounting and internal control systems.

8.2.3 Assess the effectiveness of the Society's measures in meeting its responsibilities for Environmental, Social and Corporate Governance (ESG) issues.

8.3 In relation to Financial Reporting:

8.3.1 Review arrangements established by management for compliance with regulatory and financial reporting requirements.

8.3.2 Perform and monitor on behalf of the Board the application of policy relating to the audit of the Benenden group.

8.3.3 Review, and challenge where necessary, the financial reporting of each entity in the Benenden group to ensure it gives a true picture of the relevant entity's financial position, paying particular attention to:

- ⇒ Critical accounting policies and any changes in them;
- ⇒ Decisions requiring a major element of judgement;
- ⇒ The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- ⇒ The clarity of disclosures;
- ⇒ Significant adjustments resulting from the audit;
- ⇒ The going concern assumption;
- ⇒ Compliance with accounting standards and related guidance;

⇒ Compliance with other legal requirements.

- 8.4 In relation to the External and Internal Auditors:
- 8.4.1 Review and provide assurance to the Board that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary to assess Benenden's performance, business model and strategy.
 - 8.4.2 Oversee the process for selecting the Benenden group's external auditor and make appropriate recommendations through the Board for the Society's members to consider at the Conference/AGM.
 - 8.4.3 Lead on, and recommend to the Board, the appointment of the external auditor and assess independence of the external auditor, ensuring that key partners are rotated as deemed appropriate, in accordance with ICAEW recommendations.
 - 8.4.4 Develop and implement a policy on the supply of non-audit services by the external auditor and to agree with management a policy on the employment of former employees of the firm's external auditor and monitor its implementation.
 - 8.4.5 Recommend the audit fee to the Board.
 - 8.4.6 Discuss with the external auditor, before the audit commences, the nature and scope of the audit and to review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.
 - 8.4.7 Review the external auditor's management letters and the management's responses.
 - 8.4.8 Meet at least annually with the external and internal auditors without the presence of members of the Executive.
 - 8.4.9 Review annually the performance of the external and internal auditors and the effectiveness of audit processes.
 - 8.4.10 Approve the appointment, fee and the terms of engagement of the internal auditors.
 - 8.4.11 Approve the internal audit programme for the Benenden group, and review and advise the Board on the internal auditor's annual report, including the annual assurance statement.
 - 8.4.12 Review and challenge, where necessary, the actions and judgements of management in relation to interim and final audits and any Group Audit & Risk Committee matters.
 - 8.4.13 Review promptly all internal audit reports and monitor actions arising.
 - 8.4.14 Review reports from Benenden's compliance function and keep under review the adequacy and effectiveness of Benenden's compliance function.
 - 8.4.15 Monitor and advise the Board on the extent of compliance with financial policies across the Benenden group.
 - 8.4.16 Receive and review six monthly reports in respect of Complaints in relation to the Society and Benenden Wellbeing Limited, and regulatory breaches in relation to the Benenden group.

- 8.4.17 Ensure appropriate account is taken of all audit issues and that management responds to weaknesses and issues highlighted by both internal and external audit reports.
- 8.5 In relation to Whistleblowing:
Review the effectiveness of the whistleblowing arrangements and provide assurance to the Board; specifically, through monitoring of the Whistleblowing Policy, review arrangements through which concerns may be raised about possible improprieties in matters of financial reporting or other issues, ensuring that arrangements are in place for appropriate follow-up of such matters.
- 8.6 In relation to Risk Assessment
- 8.6.1 Keep under review the Benenden group's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used; review and approve the parameters used in these measures and the methodology adopted.
- 8.6.2 Set a standard for the accurate and timely monitoring of large exposures and critically important risks.
- 8.6.3 Review the Benenden group's principal risks and reports of issues and breaches (a copy of the full risk register is available at any time from the Governance, Risk & Compliance Department).
- 8.6.4 Factor all known control weaknesses into risk assessments, including those identified in internal audit reports.
- 8.6.5 Review the risk profile of each of the group's products as provided by the Product Owners.
- 8.6.6 Identify conduct risks arising from discussions.
- 8.6.7 Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Benenden group, and taking independent external advice where appropriate and available.
- 8.6.8 Assess the financial risks from climate change and protect long-term value for members, escalating to the Board as appropriate.
- 8.7 In relation to Risk Management
- 8.7.1 Review reports on any material breaches of risk limits and the adequacy of proposed action.
- 8.7.2 Oversee the effectiveness of the risk management function, reviewing and approving its remit, and ensuring it has adequate resources and appropriate access to information to enable it to perform its function in accordance with the relevant professional standards. The Committee shall also safeguard the independence of the risk management function, ensuring it is free from management and other restrictions.
- 8.7.3 Receive and review an annual report on the Benenden group's Business Continuity Plan.
- 8.7.4 Review the Society's statement on Risk Management in the Annual Report and make appropriate recommendations to the Board.

- 8.7.5 Keep under review the Society's arrangements for managing risk associated with climate change and advise the Board on setting risk appetite in the context of climate change.
- 8.8 In relation to Capital and Investment:
- 8.8.1 Provide oversight of all Investment & Capital Management in line with the Investment & Treasury Policy.
- 8.8.2 Review the existing Investment Strategy & Policy and recommend any required changes for approval by the Board.
- 8.8.3 Consider the impact of changes to the strategies and policies in relation to the Annual Report
- 8.8.4 Consider high-level investment related risks facing the Benenden group
- 8.8.5 Consider high-level risks related to purchase and/or sale of property, pooled investments, or the asset mix of investments
- 8.8.6 Determine any proposed changes to the asset mix of investments, or delegate the specific asset mix to Investment Fund Managers in line with any parameters detailed in the Investment & Treasury Policy.
- 8.8.7 On recommendation of the Executive Asset & Liability Committee, select and appoint the Society's Investment Fund Managers.
- 8.8.8 Review annually:
 - The holdings of group properties considering appropriate use, and capital and investment requirements.
 - The capital position (including regulatory requirements where applicable) across all Benenden group entities, ensuring prompt action is taken where required
 - Asset and liability management across all Benenden group entities, ensuring prompt action is taken where required
- 8.8.9 Maintain open communications with the Benenden Healthcare Society Pension Plan in relation to the financial position and associated risks, supporting a co-ordinated investment approach.
- 8.9 In relation to the Defined Contribution Pension Scheme
- 8.9.1 Oversee the arrangements of the Benenden Healthcare Defined Contribution Pension Scheme, particularly in relation to operational risk associated with the Scheme
- 8.9.2 Act appropriately on recommendations from the Pension Governance Committee (PGC)
- 8.9.3 Maintain communication with the Group Nominations & Remuneration Committee in relation to outcomes for DC Scheme members.
- 8.10 In relation to other Committees
Work and exchange information with all other Board Committees and subsidiary Board Committees (where appropriate), in particular the Audit Committee of the Benenden Hospital Trust.
9. **Reporting Responsibilities**
- 9.1 The Committee shall provide, for discussion at the next Board meeting, a 1-page summary of each of its meetings, noting key decisions taken, along with any decision required of the Board.

- 9.2 All minutes of the Group Audit & Risk Committee shall be provided, for information, to the next available Board meeting.
- 9.3 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.4 The Committee shall produce a report of its activities to be included in the Society's annual report.

10. **Other Matters**

The Committee shall:

- 10.1 Have access to sufficient resources in order to carry out its duties, including access to the Finance and Group Risk teams for assistance as required;
- 10.2 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;
- 10.3 Give due consideration to laws and regulations, the provisions of the AFM Corporate Governance Code and any other applicable rules, as appropriate;
- 10.4 Oversee any investigation of activities which are within its terms of reference;
- 10.5 At least once a year, review its own performance and its terms of reference to ensure it is operating at maximum effectiveness, recommending any changes it considers necessary to the Board for approval.

11 **Authority**

The Committee is authorised through delegated authority from the Board:

- 11.1 To seek any information it requires from any employee or director of the Benenden group in order to perform its duties;
- 11.1 To obtain, at Benenden's expense, external legal and other professional advice on any matter within its terms of reference where required, including to invite advisors with relevant experience to attend the meetings;
- 11.2 To request the attendance of any employee at a meeting of the Committee as and when required.