

**The Standard Club UK Limited**  
**Audit and Risk Committee**  
**Terms of Reference**

**1. Membership**

- 1.1 The committee shall consist of not less than two members, and may not include manager directors. The committee shall be appointed by the board, on the recommendation of the Nomination and Governance Committee, in consultation with the chairman of this committee.
- 1.2 The board shall appoint the chairman of the committee. 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.
- 1.3 At least one committee member shall have recent and relevant financial experience.
- 1.4 Other than the chairman and deputy chairmen, who may, if elected to the committee, serve during their period of office, appointments to the committee shall be for a period of up to three years, which may be extended for two further three year periods.

**2. Secretary**

- 2.1 The secretary of the board or its nominee shall act as the secretary of the committee.

**3. Quorum**

- 3.1 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.
- 3.2 The chairman of the committee may invite other board members or managers or other persons to attend at his discretion.

**4. Frequency of meetings**

- 4.1 The committee shall meet at least three times a year at appropriate times including during preparation and auditing of the accounts and otherwise as required.

**5. Notice of meetings**

- 5.1 Meetings of the committee shall be called by the secretary of the committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 5.2 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 and any other person required to attend. Supporting papers shall be sent to committee members and to other attendees as appropriate.

## **6. Minutes of meetings**

- 6.1 The secretary shall minute the proceedings, resolutions and recommendations of all meetings of the committee, including recording the names of those present and in attendance.
- 6.2 Minutes of committee meetings shall be circulated promptly to all members of the committee and, once agreed and if requested by the board, to all members of the board, unless a conflict of interest exists.

## **7. Duties**

The committee shall carry out the duties below for the club, parent, subsidiaries and the group as a whole, as appropriate:

### **7.1 Financial reporting**

7.1.1 The committee shall monitor the integrity of the financial statements of the club, including its annual report and regulatory returns, reviewing significant financial reporting issues and judgements which they contain.

7.1.2 The committee shall review and challenge where necessary:

7.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the club's group

7.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible

7.1.2.3 whether the club has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor

7.1.2.4 the clarity of disclosure in the club's financial reports and the context in which statements are made

7.1.2.5 all material information presented with the financial statements, such as the directors' report

### **7.2 Internal controls and risk management systems**

The committee shall:

7.2.1 make recommendations to the board regarding the club's risk appetite and risk tolerances and an appropriate strategy for risk management

7.2.2 keep under review and monitor the effectiveness of the club's internal controls and risk management systems

- 7.2.3 review the club's business risks and the effectiveness of the management and mitigation processes in place
- 7.2.4 review and approve for recommendation to the board the statements to be included in the annual report concerning internal controls and risk management
- 7.2.5 seek to ensure that the design and implementation and overall governance of the club's internal model, including as it relates to validation and changes, are appropriate
- 7.2.6 review the methodology, inputs and outputs of the club's internal model including stresses and sensitivities
- 7.2.7 review the results of internal modelling, including the calculation of the ICA at least annually or more often as required by developments in the business
- 7.2.8 regularly reviews the ORSA to ensure that it accurately reflects the business risk profile and capital requirements
- 7.2.9 seek to ensure that the internal model is used in business decisions
- 7.2.10 report to the board on the ORSA and the internal model assumptions, process, and output
- 7.2.11 seek to ensure that these duties are completed in accordance with the club's policies relating to these matters, which policies the committee will review annually and recommend re-adoption to the board.

### 7.3 Whistle-blowing and fraud

The committee shall:

- 7.3.1 review the club's arrangements for the managers' 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
- 7.3.2 review the club's procedures for detecting fraud and bribery

### 7.4 Internal audit

The committee shall:

- 7.4.1 monitor and review the effectiveness of the club's internal audit function in the context of the club's overall risk management system
- 7.4.2 approve for recommendation to the board the appointment and removal of the head of the internal audit function
- 7.4.3 consider and approve the remit of the internal audit function and ensure 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 free from management or other restrictions

- 7.4.4 review and assess the annual internal audit plan
- 7.4.5 review promptly all reports on the club from the internal auditors
- 7.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor
- 7.4.7 meet the head of internal audit at least once a year, without management being present, to discuss internal audit's remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the committee.

## 7.5 External Audit

The committee shall:

- 7.5.1 consider and make recommendations to the board, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the club's external auditor. 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
- 7.5.2 oversee the relationship with the external auditor including (but not limited to):
  - 7.5.2.1 approval of their remuneration for recommendation to the board, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted
  - 7.5.2.2 approval of their terms of engagement for recommendation to the board, including any engagement letter issued at the start of each audit and the scope of the audit
  - 7.5.2.3 assessing annually their independence and objectivity taking into account relevant Bermudian and UK professional and regulatory requirements (including the Ethical Standard 2016) and the relationship with the auditor as a whole, including the provision of any non-audit services
  - 7.5.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the club (other than in the ordinary course of business)
  - 7.5.2.5 approval of any engagement of the auditors for any non-audit work for the club
  - 7.5.2.6 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the club compared to the overall fee income of the firm, office and partner and other related requirements
  - 7.5.2.7 assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures
  - 7.5.2.8 seeking to ensure co-ordination with the activities of the internal audit function

- 7.5.3 meet at least annually with the external auditor. 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
- 7.5.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement
- 7.5.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 7.5.5.1 a discussion of any major issues which arose during the audit
  - 7.5.5.2 any accounting and audit judgments
  - 7.5.5.3 levels of errors identified during the audit
- 7.5.6 The committee shall also review the effectiveness of the audit by:
  - 7.5.6.1 review of any representation letter(s) requested by the external auditor before they are signed by management
  - 7.5.6.2 review of the management letter and management's response to the auditor's findings and recommendations
  - 7.5.6.3 review of whether the auditor has met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the external auditor to address those risks
  - 7.5.6.4 obtaining feedback about the conduct of the audit from key people involved (for example the chief financial officer and head of internal audit), including consideration of the external auditor's reliance on the internal auditor
  - 7.5.6.5 developing and implementing a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter
- 7.5.7 The committee shall be responsible for co-ordination of the internal and external auditors

## 7.6 Solvency

The committee shall monitor the continuing solvency of the club including by reference to regulatory requirements

## 7.7 Reporting responsibilities

- 7.7.1 The committee chairman shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities
- 7.7.2 The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed
- 7.7.3 The committee shall compile a report to members on its activities to be included in the company's annual report.

## **8. Other matters**

- 8.1 The committee shall have access to sufficient resources and training in order to carry out its duties, including access to the managers for assistance as required
- 8.2 The committee shall, at least once every three years, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the board for approval
- 8.3 The committee shall give due consideration to laws and regulations including the requirements of the FCA, PRA and other regulators
- 8.4 Nothing herein shall prevent the members of the committee or any one or more of them from meeting informally between themselves and/or with the managers but in such event those present shall not be entitled to make any decisions on behalf of the committee or the board.

## **9. Authority**

- 9.1 The committee is authorised:
  - 9.1.1 to seek any information it requires from any employee of the managers in order to perform its duties
  - 9.1.2 to obtain, at the club's expense, outside legal or professional advice on any matter within its terms of reference
  - 9.1.3 to call any employee of the managers to be questioned at a meeting of the committee as and when required.

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