

IPB INSURANCE BOARD AUDIT COMMITTEE TERMS OF REFERENCE EFFECTIVE 25th July 2018

1. Purpose

1.1 The Audit Committee is a Sub-Committee of the IPB Insurance (“IPB”) Board with responsibility delegated to it for supporting the Board in meeting its oversight responsibilities for IPB’s financial reporting, internal controls, management of financial risks, audit processes, legal & regulatory compliance monitoring processes and particularly per the Corporate Governance Requirements for Insurance Undertakings 2015 (“the Requirements”): (a) monitoring effectiveness and adequacy of internal control, internal audit and IT systems, (b) liaising with the External Auditor particularly on their audit findings, (c) reviewing the financial statements’ integrity and ensuring they give a “true and fair view” of the company’s financial status, (d) reviewing any financial announcements and reports and recommending to the Board whether to approve the company’s annual accounts and (e) assessing auditor independence and the audit process’ effectiveness whilst the Board can’t abrogate its responsibility for this.

2. Membership

2.1 The Board shall appoint Members on the REMCO’s recommendation via its responsibility for setting and revoking terms, generally with a duration in the order of 3 years, with appointments subject to annual review and renewal at the Board’s absolute discretion via the annual Board and Committee Performance Evaluation Exercise. The Audit Committee, in recognition of the requirements of the EU (Statutory Audits) Regulations 2016 (Directive 2006/43/EC, as amended by Directive 2014/56/EU, & Regulation (EU) No 537/2014) and the importance of maintaining its independence, shall appoint an Independent Non-Executive Director as Committee Chairperson for recommendation for approval by the REMCO and the Board in recognition of their regulatory responsibilities in this regard per the Requirements and fitness and probity process management and if absent, Committee Members shall elect an Independent Non-Executive Director as an alternate for the duration.

2.2 The Audit Committee shall comprise not less than 3 Members consisting of Non-Executive Directors, the majority being Independent Non-Executive Directors and its number shall be sufficient to handle the nature, scale and complexity of its business whilst neither the Board Chairperson nor the CEO shall be a Committee Member. The Audit Committee as a whole shall have competence relevant to the sector in which the company has its business and relevant financial knowledge and experience and at least 1 Committee Member shall have an apt qualification and per S167.6 of the Companies Act 2014, at least 1 of the Independent Non- Executive Director Committee Members shall have competence in accounting or auditing whilst there shall be at least 1 shared Committee Member between IPB’s Audit Committee and Risk Committee and Committee Members shall engage in order that the Risk Committee can draw on the work of the Audit Committee and External and Internal Auditors. In circumstances where the Board comprises only 5 Members, the full Board including the Chairperson and the CEO may act as the Audit Committee and Minutes of Audit Committee Meetings so convened shall reflect the sitting circumstances.

2.3 In accordance with IPB’s Business Code of Conduct which incorporates conflict of interest provisions particular to Directors, appointment shall not proceed and on-going appointment may be impacted with consideration given by the REMCO and Board to changing the composition of the Committee if a reasonably perceived potential conflict of interest of significance to its work emerges (to include a conflict in relation to a change in personal circumstances which is required to be declared to the Committee Chairperson and the Board Chairperson), with all reasonably perceived potential conflicts of interest particulars declared and recorded.

3. Secretary

3.1 The Company Secretary or their duly appointed nominee shall act as Secretary.

4. Meetings and Reporting Procedures

- 4.1 Agendas detailing items for consideration and noting the date, time and venue of a Committee Meeting together with Minutes of the previous Committee Meeting and all relevant material for a Committee Meeting shall be circulated electronically to all Committee Members in a timely manner in advance and in a sufficiently clear format.
- 4.2 The Committee shall meet at least quarterly, to coincide with important financial reporting dates, with at least 1 Committee Meeting at the planning stage and 1 at the reporting stage and aspects of sessions in Committee to support operating in a manner consistent with ensuring independence and all other Committee Meetings as required. The Committee Chairperson shall convene a Meeting on any Member's request, subject to satisfaction of the quorum of 2 Members for transacting business with decisions by majority vote with the Committee Chairperson or their alternate having the casting vote with all Members eligible to vote unless a reasonably perceived conflict exists in which case conflicted Members shall not participate in decisions or discussion.
- 4.3 Committee Members shall attend Committee Meetings regularly and in person wherever possible or participate via video/teleconference or with perspective communicated via email or telephone to the Company Secretary for confirmation of communication if physical presence is not possible due to circumstances beyond their control (e.g. in illness) with participation and vote eligibility recorded. The Board, in consultation with the REMCO, shall remove a Committee Member unable to provide sufficient time to attend over the medium to long term and replace them with one with appropriate availability, skills, knowledge and experience.
- 4.4 Committee Meetings shall usually only be attended by the Committee with the Board Chairperson, CEO, Finance Director, Head of Risk, Senior Compliance Manager, Director of Legal & Company Secretariat and Internal and External Audit representatives invited as apt with attendances managed to ensure independence. The Committee Chairperson and Members, in consultation with the Committee Chairperson and the Director of Legal & Company Secretariat, may invite any officer or employee, external advisor or others to attend all or part of Committee Meetings, whilst Members shall have access to the Board Chairperson, Board and Management and maintain a dialogue with key individuals involved in IPB's governance, inter alia the Board Chairperson, CEO, Director of Legal and Company Secretariat, Finance Director, Head of Risk and Compliance, External Audit Lead Partner and Head of Internal Audit.
- 4.5 Draft Committee Meeting Minutes recording associated date, time, location, attendee and absentee details together with sufficient details of all key discussions, deliberations, dissensions and decision outcomes and points for further action to evidence appropriate Committee attention shall issue to all Committee Members for approval with circulation thereafter to the Board, and the Committee shall operate in a manner consistent with ensuring its independence and commensurate with reporting to the Board on its activities and decisions and recommendations on any area within its remit where it deems action or improvement to be required with the Committee Chairperson reporting to the Board on proceedings after each Committee Meeting. An annual account of the Committee's activities shall feature in IPB's Stakeholder and Annual Report with the Committee Chairperson representing its activities at General Meetings.

5. Resources

- 5.1 The Director of Legal and Company Secretariat shall arrange induction for new Committee Members covering the Committee's role and commitment requirements and the Committee shall give consideration to relevant regulation in undertaking its duties with requisite resources and training on risk exposures and risk management principles and developments accessible via the Director of Legal and Company Secretariat.

6. Role and Responsibilities

The Committee's role and responsibilities shall include the provisions of point 1.1 above and

- 6.1 Financial Reporting: review financial announcements and reports and material information accompanying financial statements to include tax risk matters in order to recommend Board approval via monitoring IPB's financial statements, annual and interim accounts to ensure they give a true and fair view and reviewing going concern assumptions, summary financial statements and significant regulatory returns and challenging content where necessary with particular attention to a consideration of:
 - (a) The consistency of, and any change to, accounting policies on a year on year basis;
 - (b) Methods to account for significant or unusual transactions if others apply;
 - (c) Whether IPB has followed apt accounting standards and made apt estimates and judgements, taking into account the views of the External Auditor;
 - (d) Disclosure clarity in IPB's financial accounts and statement context.
- 6.2 Internal Controls and Risk Management Systems: monitor the effectiveness of IPB's internal controls, risk management and IT systems and remedial action and procedural arrangements for identifying wrongdoing and fraud, raising concerns in confidence and ensuring initiation of proportionate and independent investigations and determination of apt action by approving and reviewing the framework for securing compliance across all areas and ensuring the monitoring of material issues and their reporting to the Board.
- 6.3 Internal Audit: select and recommend appointment or cessation to the Board and annually review (a) effectiveness per remit, reporting procedures, resource adequacy, qualifications, skills and experience and internal quality processes, (b) independence per rotation processes, permitted non audit services, unrestricted access to functions, personnel and data and recognition of the team's accessibility to the Board and Board Chairperson and (c) efficacy of the audit work plan, results and management responses.
- 6.4 External Audit: oversee the selection process for External Auditors and recommend appointment, reappointment or removal to the Board, for AGM approval by Members and investigate the circumstances of any resignation and decide if action is required. In overseeing IPB's External Auditors, the Committee shall meet them regularly, including at the audit planning and reporting stages, to review required changes to the next year's audit, any issues, accounting and audit judgements; reporting procedures and levels of error; the representation letter and management letter and management's responses. (a) approve engagement terms and recommend remuneration via fees for audit or non-audit work; (b) assess annually in Committee their effectiveness and that of the audit per resource adequacy, qualifications, skills and experience and unrestricted access to functions, personnel and data and recognition of the External Auditors' accessibility to the Board and Board Chairperson, internal quality processes and independence per rotation processes and ensuring no family, employment or business relations exist (other than in the ordinary course of business).
- 6.5 Other: The Committee shall undertake any other related duties as directed by the Board.

7. Committee Effectiveness

- 7.1 The Committee shall undertake a documented review of its overall performance and effectiveness and the appropriateness of its Terms of Reference at least annually, and per IPB's policies and procedures with queries at any time on interpretation or requirements for prior approval by the Audit Committee or Board to be addressed collectively to the Director of Legal and Company Secretariat prior to acting, with recommendations provided to the Board on revisions identified via review. Revised Terms of Reference shall be circulated to management for implementation and published on the IPB website following Committee and Board approval.