

1. Membership

- 1.1** Members of the Committee shall be appointed by the Group Board, on the recommendation of the Group Nomination and Governance Committee, in consultation with the Chair of the Group Audit Committee. The Committee shall be made up of at least three members.
- 1.2** All members of the Committee shall be independent Non-Executive Directors, at least one of whom shall have recent and relevant financial experience working with financial and accounting matters. Although not a requirement for membership, it is expected that at least one member of the Committee shall be a member of the Group Risk Committee. The Committee as a whole shall have competence relevant to the sectors in which the Group operates. The Chair of the Group Board shall not be a member of the Committee.
- 1.3** Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Financial Officer, Chief Executive Officer, Chair of the Group Board, the Heads of Risk, Compliance, Internal Audit, the Chair of the Admiral Insurance Company Limited (AICL) Audit Committee and representatives from within the Group may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4** The external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5** Appointments to the Committee shall be for a period of up to three years, which may be extended for two further three-year periods, provided the director still meets the criteria for membership of the Committee.
- 1.6** The Committee Chair shall review the membership of the Committee annually, as part of the annual performance evaluation of the Committee.
- 1.7** The Group Board shall appoint the Committee Chair who shall be an independent non-executive director. In the absence of the Committee Chair and / or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 1.8** The Committee has the delegated authority of the Group Board in respect of the functions and powers set out in these terms of reference.
- 1.9** The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Company Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

2. Secretary

- 2.1** The Company Secretary, or their nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

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.

4. Frequency of meetings

- 4.1** The Committee shall meet at least four times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- 4.2** Outside of the formal meeting programme, the Committee Chair shall maintain a dialogue with key individuals involved in the Group's governance, including the Chair of the Group Board, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner and the Head of Internal Audit.

5. Notice of meetings

- 5.1** The meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or 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 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.
- 5.3** Notice, agendas and supporting papers can be sent in electronic form where the recipient has to agreed receive documents in such a way.

6. Minutes of meetings

- 6.1** The Secretary shall minute the proceedings, decisions and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2** The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

6.3 Draft minutes of Committee meetings shall be agreed with the Committee Chair and then circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Group Board, unless it would be inappropriate to do so in the opinion of the Committee Chair.

7. Interaction with Shareholders

7.1 The Committee Chair shall attend the Annual General Meeting to answer shareholder questions on the Committee's activities.

7.2 The Committee Chair shall seek engagement with shareholders, in consultation with the Chair of the Group Board, Senior Independent Director and / or Chief Financial Officer, on significant matters related to the Committee's areas of responsibility.

8. Duties

The Committee shall carry out the duties below for the Group as appropriate:

8.1 Financial Reporting

8.1.1 The Committee shall monitor, and report to the Group Board on, the integrity of the consolidated financial statements of the Group, including its annual and half-yearly reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor. The Committee shall also review summary financial statements, material financial returns to third parties not based on previous audited financial statements and any financial information contained in certain other documents, such as announcements of a price sensitive nature. The Committee shall also review the "Parent Company Balance Sheet" and "Notes to the Parent Company Financial Statements" included in the Group Annual Report and Accounts. Approval of the financial statements of individual subsidiary undertakings within the Group is the responsibility for the Board of Directors of the respective individual subsidiary undertaking.

8.1.2 The Committee shall review and challenge where necessary:

8.1.2.1 the application, consistency and appropriateness of, and any changes to, the accounting policies both on a year-on-year basis and across the Group;

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

8.1.2.3 whether the Group has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor;

- 8.1.2.4** the clarity and completeness of disclosure in the Group’s financial reports and the context in which statements are made including the review of any correspondence between the Group and the external auditor;
- 8.1.2.5** all material information presented with the financial statements, such as the business review / operating and financial review, the strategic report and the corporate governance statements relating to audit and to risk management;
- 8.1.2.6** significant adjustments resulting from the external audit; and
- 8.1.2.7** the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Group’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 an assessment of the prospects of the Group looking forward over an appropriate and justified period).
- 8.1.3** Review first any other statements that contain financial information and require Group Board approval. If carrying out a review before Group Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation, including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.
- 8.1.4** The Committee shall review and approve the Group Solvency II Reporting and Disclosure Policy on at least an annual basis.
- 8.1.5** The Committee shall review the climate-related financial disclosures consistent with the Task Force on Climate-Related Financial Disclosures (“TCFD”) recommendations and recommended disclosures prior to the year end and recommend them to the Group Board for approval. The Committee may refer any specific TCFD disclosures to the Group Risk Committee from time to time in order for the Group Risk Committee to verify the accuracy of any non-financial references. In cases where the Group has made disclosures consistent with the TCFD, but has included some or all of these disclosures in a document other than the Annual Report and Accounts a summary of the following should be included in the Annual Report and Accounts:

 - 8.1.5.1** The recommendations and/or recommended disclosures for which it has included in other document;
 - 8.1.5.2** A description of that document and where it can be found; and
 - 8.1.5.3** The reasons for including the relevant disclosures in that document and not in the Annual Report and Accounts.
- 8.1.6** In cases where the Group has not included disclosures consistent with all of the TCFD recommendations and recommended disclosures in either its Annual Report and Accounts or other document:

 - 8.1.6.1** The recommendations and/or recommended disclosures for which it has not included such disclosures;

- 8.1.6.2** The reasons for not including such disclosures; and
 - 8.1.6.3** Any steps it is taking or plans to take in order to be able to make those disclosures in the future, and the timeframe within which it expects to be able to make those disclosures.
- 8.1.7** Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Group Board.
- 8.1.8** The EUI Limited (EUI) Board and the Committee shall each agree to the nomination of a director, an executive of EUI, or other Group senior manager who is either a Committee member or regular attendee at all Committee meetings. Such nominated person shall report to the EUI Board on matters discussed at Committee meetings that they identify as being relevant to EUI. The same nominated person shall bring to the Committee such matters considered at the EUI Board where input from the Committee is required, including but not limited to circumstances where it is proposed to use accounting policies and methods that differ to the Group accounting policies and methods, and where further question or challenge of Committee reserving decisions that impact EUI is required. In such circumstances where agreement cannot be reached, the Committee Chair shall meet with the EUI Chair to seek to resolve such matter[s].
- 8.1.9** For other Group subsidiaries, excluding EUI, where input from the Committee is requested including, but not limited to, circumstances where it is proposed to use accounting policies and methods that differ to the Group accounting policies and methods, and where further question or challenge of Committee reserving decisions that impact the Group subsidiary is required then, in such circumstances, the Chair of the Group subsidiary, or in the case AICL, the AICL Audit Committee Co-Chair, shall raise the matter with the Committee Chair in order that the matter can be discussed and resolution agreed. In any event, the Co-Chair of the AICL Audit Committee shall attend the half year and full year Committee meetings which focus on reserving matters.
- 8.1.10** In the unlikely event that agreement on material accounting judgements and/or treatments cannot be reached between a Group subsidiary board and the Committee, then the issue will be escalated to the Group Board by the Committee Chair.

8.2 Reserving

- 8.2.1** Whilst the Group Board has ultimate responsibility for reviewing, challenging and approving the Group's reserving levels recommended by management, the Group Board has delegated to the Committee responsibility for ensuring and reporting to the Group Board:
 - 8.2.1.1** the review and approval of the Group Reserving Policy on at least an annual basis.
 - 8.2.1.2** the adequacy of systems and controls around the process by which the Group's reserving levels are set, including adherence to the Group's reserving policy;
 - 8.2.1.3** the reasonableness and adequacy of the loss ratio selections proposed by management;

8.2.1.4 that the conclusions of external actuaries and auditors involved in the reserving process were provided on an independent basis and that they had not been subject to undue interference or pressure from management; and

8.2.1.5 any other material issues identified during the reserving process.

8.2.2 Any significant changes to the reserving approach made by subsidiary entities is subject to review and challenge by the relevant subsidiary audit committee, with a notification to the Committee in advance to allow for appropriate review and challenge.

8.3 Risk and Compliance

8.3.1 As part of informing the Committee's view of the Annual Report and Accounts, and facilitating their recommendation to the Group Board, the Chair of the Group Risk Committee is responsible for reporting annually, or more frequently if the Committee deems appropriate, on the following, including providing the Committee with the relevant draft disclosure, and an overview of the supporting evidence that enabled the Directors to be comfortable in approving the following disclosures:

8.3.1.1 confirmation that a robust assessment of the emerging and principal risks, as well as key risk drivers, to the Group has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity);

8.3.1.2 the effectiveness of the Group's risk management systems including the extent to which principal risks could impact on the integrity of the Group's reported financial performance;

8.3.1.3 the annual viability statement, taking account of the Group's position and principal and emerging risks, confirmation that the Group's prospects have been assessed, over what period and why the period is regarded as appropriate. The Group Risk Committee shall also advise on whether there is a reasonable expectation that the Group will be able to continue to meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;

8.3.1.4 whether any risks are sufficient, in certainty and/or materiality, to have affected the Group's judgement as a going concern;

8.3.1.5 advise the Committee of the risk implications of any material transactions and strategic proposals that are being reported on in the Group's Annual Report and Accounts;

- 8.3.1.6** a report of the Group Risk Committees activities during the year including: a statement from the Chair of the Group Risk Committee; composition of the Group Risk Committee; key duties and responsibilities of the Group Risk Committee; and a summary of key activities of the Group Risk Committee during the period including activities relating to climate risk and sustainability.

8.4 Tax Matters

- 8.4.1** The Committee shall receive regular updates on tax matters and, review and recommend the Group Tax Strategy to the Group Board for approval at least every two years (with negative assurance that no changes have been made to be provided each year the Strategy is not presented).

8.5 Narrative Reporting

- 8.5.1** Where requested by the Group Board, the Committee shall review the content of the Group's Annual Report and Accounts, and advise the Group Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and whether it informs the Group Board's statement in the Group's Annual Report and Accounts on these matters that is required under the UK Corporate Governance Code.

8.6 Internal Controls and Risk Management Systems

The Committee shall:

- 8.6.1** Keep under review the adequacy and effectiveness of the Group's internal financial controls that identify, assess, manage and monitor financial risks, and other internal control and risk management systems; including:
 - 8.6.1.1** review management's reports and the executive summary of internal auditor's reports and full reports in relation to Category A items, on the effectiveness of the systems for internal financial control, financial reporting and risk management;
 - 8.6.1.2** review the timeliness of, and reports on, the effectiveness of corrective action taken by the management in response to any material external or internal audit recommendation;
 - 8.6.1.3** monitor the integrity of the Group's internal financial controls;
 - 8.6.1.4** assess the effectiveness of the systems established by management to identify, assess, manage and monitor financial and non-financial risks.

- 8.6.2** At least half-yearly, review the output of the Group Minimum Standards (GMS) self-assessments and testing. Where the Committee views the levels of adherence to be inadequate or the GMS application to be ineffective, the Committee will receive updates on corrective actions until such time as the Committee deems appropriate.
- 8.6.3** Review and recommend for Group Board approval the statements to be included in the Group's Annual Report and Accounts concerning internal control and risk management.
- 8.6.4** For the avoidance of doubt, the Group Risk Committee shall be responsible for determining the appropriateness of the internal control framework to identify, manage and mitigate all risks including climate related risks.

8.7 Whistleblowing and Financial Crime

The Committee shall:

- 8.7.1** Review the adequacy and security of the Group's arrangements for its employees, contractors and external parties 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, and submit routine reports to the Group Board on the arrangements and their operation.
- 8.7.2** Review and approve the Group Whistleblowing Policy on at least an annual basis.
- 8.7.3** For the avoidance of doubt, the effectiveness of procedures relating to; fraud, bribery, money laundering and data protection regulations will be monitored by the Group Risk Committee. Where the Group Risk Committee identifies any matters in relation to the above that it deems material, the Group Risk Committee will report on these matters to the Committee. The Group Risk Committee shall also provide a summary of its activities in relation to financial crime to the Committee on a half-yearly basis (as part of the half and full year reporting).

8.8 Internal Audit

The Committee shall:

- 8.8.1** Monitor and review the role and effectiveness of the Group's internal audit functions in the context of the Group's overall internal control and risk management systems and the work of the Compliance, Finance and external audit functions (to the extent that they impact on the Committee's activities). Within this an annual assessment of internal audit will be carried out, with consideration as to whether an independent, third party review of processes is appropriate¹. The assessment will include:
 - 8.8.1.1** meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
 - 8.8.1.2** review and assess the annual internal audit work plan;

¹ An independent third party review will be carried out once every 5 years as a minimum.

- 8.8.1.3** receive a report on the results of the internal auditor's work;
 - 8.8.1.4** determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - 8.8.1.5** review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function, including open communication with the business functions
- 8.8.2** Approve the appointment and removal of the Group Head of Internal Audit;
 - 8.8.3** Review and approve annually the charter of the internal audit functions (the Group Internal Audit Policy) and ensure they have adequate resources and appropriate access to information to enable them to perform their functions effectively and in accordance with the relevant professional standards for internal auditors. The Committee shall also ensure the functions have adequate standing and are free from management or other restrictions;
 - 8.8.4** Review and approve the annual internal audit plans to ensure they are aligned with the key risks of the business, and receive regular reports on work carried out;
 - 8.8.5** Review promptly all reports on the Group from the internal auditors;
 - 8.8.6** Review and monitor management's responsiveness to the findings and recommendations of the internal auditors with respect to both the sufficiency and the timeliness of the action taken by management to address all findings and recommendations;
 - 8.8.7** Meet the Head of Internal Audit at least once a year, without management being present, to discuss their 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 Chair of the Group Board and to the Committee Chair and is accountable to the Committee; and
 - 8.8.8** Meet with the Group Head of Reward at least once a year to evaluate and agree the remuneration package for the Group Head of Internal Audit, on the recommendation of the Group Chief Executive Officer.

8.9 External Audit

The Committee shall:

- 8.9.1** Consider and make recommendations to the Group Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the Group's external auditor.
- 8.9.2** Ensure that at least once every 10 years the audit services contract is put out to tender in order to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and, in respect of such tender, oversee the selection process in accordance with applicable Code and regulatory requirements, and ensure that

all tendering firms have such access as is necessary to information and individuals during the tender process.

- 8.9.3** If an external auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 8.9.4** Oversee the relationship with the external auditor including (but not limited to):
- 8.9.4.1** recommendations on their remuneration, including both fees for audit or non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted and in line with the Policy on the Use of External Auditors for Non-Audit Services;
 - 8.9.4.2** approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.9.4.3** reports from the external auditors on their independence, objectivity and the effectiveness of the audit process on an annual basis, taking into account relevant UK legal, professional and regulatory requirements and the Ethical Standard, and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
 - 8.9.4.4** satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - 8.9.4.5** agreeing with the Group Board a policy on the employment of former employees of the Group's auditor, taking into account the Ethical Standard and legal requirements, and monitoring the implementation of this policy;
 - 8.9.4.6** monitoring the auditor's processes for maintaining independence, compliance with relevant legal, ethical, regulatory and professional guidance (including guidance on the rotation of audit partners and staff).
 - 8.9.4.7** assessing annually the qualifications, expertise, resources and independence of the auditor and the effectiveness of the external audit process which shall include a report from the external auditor on their own internal quality procedures;
 - 8.9.4.8** seeking to ensure coordination with the activities of the Internal Audit function; and
 - 8.9.4.9** evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market in that evaluation.

- 8.9.5** 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 discuss their remit and any issues arising from the audit.
- 8.9.6** Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 8.9.7** Review the findings of the audit with the external auditor. This shall include, but is not limited to, the following:
- 8.9.7.1** a discussion of any major issues which arose during the audit and have subsequently been resolved and those that have been left unresolved;
 - 8.9.7.2** the auditor's explanation of how the risks to audit quality were addressed;
 - 8.9.7.3** any key accounting and audit judgements;
 - 8.9.7.4** the auditor's view of their interactions with senior management;
 - 8.9.7.5** levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted; and
 - 8.9.7.6** the effectiveness of the audit process including reviewing whether the auditor has met the agreed audit plan and considering the quality of the audit, the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions.
- 8.9.8** Review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge and the supporting evidence provided by management, the information provided is complete and appropriate.
- 8.9.9** Review the management letter and management's response to the auditor's findings and recommendations.

8.9.10 Develop and maintain a formal policy on the supply of non-audit services by the external auditor, including prior approval of non-audit services by the Committee and specifying the types of non-audit services to be preapproved, and assessment of whether non-audit services should have a direct or material impact on the audited financial statements. The policy should consider threats to auditor objectivity and independence; the nature of non-audit services, whether the external audit firm is the most suitable supplier of the non-audit service; the fees for the non-audit services, both individually and in aggregate, relating to the audit fee; and the criteria governing compensation.

8.10 Reporting Responsibilities

8.10.1 The Committee Chair shall report formally to the Group Board on its proceedings after each meeting on all matters within its duties and responsibilities.

8.10.2 The Committee shall make whatever recommendations to the Group Board it deems appropriate on any area within its remit where action or improvement is needed.

8.10.3 The Committee shall produce a report on its activities to be included in the Group's Annual Report and Accounts. The report should describe the work of the Committee, including;

8.10.3.1 an explanation of how the Committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;

8.10.3.2 the significant issues that the Committee considered in relation to the financial statements and how these were addressed;

8.10.3.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code; and

8.10.3.4 all other information requirements set out in the UK Corporate Governance Code.

8.10.4 The Committee shall report to the Group Board on how it has discharged its responsibilities, including: the significant issues that it considered in relation to the financial statements and how these issues were addressed; its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and any other issues on which the Group Board has requested the Committee's opinion.

8.10.5 In compiling the reports referred to in 8.10.3 and 8.10.4, the Committee shall exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Group Board's assessment of whether the Group is a going concern and the Group Risk Committee's work on the inputs to the Group Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the Group's Annual Report and Accounts but could provide cross-reference to that information.

8.11 Other Matters

The Committee shall:

- 8.11.1** Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for advice and assistance as required.
- 8.11.2** 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.
- 8.11.3** Give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and published guidance, and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable Rules, as appropriate.
- 8.11.4** Work and liaise as necessary with all other Group Board Committees, ensuring interaction between Committees and with the Group Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- 8.11.5** Oversee any investigation of activities which are within its terms of reference.
- 8.11.6** Arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Group Board for approval.

9. Authority

The Committee is authorised:

- 9.1** To seek any information it requires from any employee of the Group in order to perform its duties;
- 9.2** To obtain, at the Group's expense, independent legal or other professional advice on any matter it believes it necessary to do so;
- 9.3** To call any employee to be questioned at a meeting of the Committee as and when required; and

- 9.4** To have the right to publish in the Group's Annual Report and Accounts details of any issues that cannot be resolved between the Committee and the Group Board. If the Group Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment or removal, the Annual Report should include a statement explaining the Committee's recommendation and the reasons why the Group Board has taken a different position.