

# MGM Advantage Life Limited Audit & Compliance Committee

## Terms of Reference

### 1. Purpose

- 1.1 The purpose of the Audit and Compliance Committee (the "Committee") is to assist the Board in fulfilling its oversight responsibilities regarding:
  - 1.1.1 Financial reporting and budgeting;
  - 1.1.2 Internal control
  - 1.1.3 Internal and external audit
  - 1.1.4 Monitoring compliance with applicable laws and regulations.
- 1.2 The Committee shall be accountable to the Board and shall assist the Board in meeting its responsibilities in ensuring that the internal control system is suitable, effective and proportionate. In particular, the Committee shall be accountable to the Board and shall assist it in:
  - 1.2.1 Meeting its responsibilities for ensuring compliance of the undertaking with all legal and administrative requirements;
  - 1.2.2 Its oversight of the first two lines of defence and provide assurance that the systems and controls in place are sufficient to manage the business to the level of uncertainty set by the Board through the use of internal and external audit processes; and
  - 1.2.3 Meeting the responsibilities of review of disclosures to the supervisory authority, including the Own Risk Solvency Assessment (ORSA), Solvency Financial Condition Report (SFCR) and the in addition to its statutory financial reporting and accounts disclosures.
- 1.3 The Committee shall determine as appropriate the specific matters that it will consider in order to carry out its responsibilities

### 2. Scope

- 2.1 The scope of the Committee is the independent assurance of the systems of control (including its organisational design) within the Company, the budgetary process of the Company, and the oversight of external regulatory and statutory financial reporting.

### **3. Membership and attendance**

- 3.1 All members of the Committee and its Chairman shall be appointed by the Board from the Non-Executive Directors. The Chairman of the Board may not be appointed Chairman of the Committee.
- 3.2 The Committee shall consist of not less than three members and the quorum for any valid meeting will be two members.
- 3.3 Arrangements for alternates for members of the Committee, who may form part of the quorum for the meeting, may be agreed by the Board.
- 3.4 The Board may nominate one or more of the Committees members as a designated Audit Committee "financial expert" and at least one of its members shall be determined by the Board to have recent and relevant financial experience.
- 3.5 The Company Secretary or his or her nominee shall act as the Secretary of the Committee.
- 3.6 The Committee may invite any Director, executive, External or Internal Auditor or other person to attend any meeting(s) of the Committee as it may from time to time consider desirable to assist the Committee in the fulfilment of its duties.

### **4. Meetings**

- 4.1 The Committee shall meet at least three times per year or more often if required, and where appropriate those meetings shall coincide with key dates in the Group's financial reporting cycle.
- 4.2 The Chairman of the Committee may call additional meetings to examine and consider other such matters relating to its responsibilities as the Committee may consider desirable.
- 4.3 The agenda for meetings shall be circulated in advance to members of the Committee.

### **5 Resources**

- 5.1 The Committee shall be provided with sufficient resources to undertake its duties.

### **6 Authority**

- 6.1 The Board authorises the Committee to:
  - 6.1.1 Establish audit and compliance policies;
  - 6.1.2 Investigate any activity within its terms of reference, and make any recommendations to the Board which it deems appropriate on any area within its remit where action or improvement is needed;
  - 6.1.3 Seek any information that it requires from any Director or employee of the Company;

- 6.1.4 Obtain appropriate external advice, through the Company Secretary, and if necessary invite external advisers with relevant experience to attend meetings of the Committee;
- 6.1.5 Ensure that the outsourced Internal Audit function, the External Auditors and the Head of the Compliance function have confidential access to the Chairman of the Committee as and when required;
- 6.1.6 Perform other activities requested by the Board;
- 6.1.7 Institute and oversee special investigations as and when required; and
- 6.1.8 Make comments and recommendations, when appropriate, direct to the boards of MGM Advantage Holdings Limited and MGM Advantage Services Limited.

## **7 Duties and Responsibilities**

The Committee shall

### **Generally**

- 7.1 Have regard to relevant aspects of the UK Corporate Governance Code, and statutory and regulatory obligations applicable to the Company, and any other relevant corporate governance codes;

### **Internal Control System Adequacy**

- 7.2 Review the Company's Governance Map and consider the scope, effectiveness and integrity of the Company's internal control systems;
- 7.3 Review Internal Audit reports and the External Audit report and management letter including findings and recommendations covering:
  - 7.3.1 Any deficiencies to the efficiency and suitability of the internal control system, together with management's response to the findings and recommendations;
  - 7.3.2 Shortcomings to the compliance with internal policies, procedures and processes;
  - 7.3.3 Recommendations on how to fix inadequacies; and
  - 7.3.4 The status of past recommendations;

and ensure that any required actions are taken promptly and effectively;

- 7.4 Act appropriately upon reports on internal control issues submitted by the outsourced Internal Audit function, the Compliance function or External Auditors;
- 7.5 Review and challenge where necessary, the actions and judgements of management, in relation to the Company's financial statements, including valuation assumptions, operating and financial review and interim financial reports before submission to,

and approval by, the Board and before clearance by the External Auditors paying particular attention to:

- 7.5.1 significant accounting policies and practices and changes to them;
  - 7.5.2 complex or unusual transactions and highly judgemental areas;
  - 7.5.3 recent professional or regulatory pronouncements and their impact upon the financial statements;
  - 7.5.4 the results of the external audit including any difficulties encountered;
  - 7.5.5 the completeness of the annual financial statements, whether they are consistent with the information known to the Committee members and whether they reflect appropriate accounting principles;
  - 7.5.6 all matters required to be communicated to the Committee under generally accepted auditing standards; and
  - 7.5.7 how management develops management information including budgets and forecasts and the nature and extent of the outsourced Internal Audit and External Audit involvement in producing financial and management information.
- 7.6 Consider the Company's procedures for whistleblowing and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial control, financial reporting, risk management or any other such matters;
- 7.7 Review the Company's procedures for detecting internal and external fraud;
- 7.8 If required, approve a section for inclusion in the Company's Annual Report and Financial Statements, summarising the Committee's composition, its responsibilities, and how they have been discharged;

### **Compliance with Legal and Administrative Requirements**

- 7.9 Review the Compliance Report including compliance status with the applicable laws, regulations and administrative provisions and an assessment of the impact of any changes in the legal environment on the operations, and obtain regular updates from management regarding compliance matters;
- 7.10 Review the results of management's investigation into any instances of non-compliance;
- 7.11 Review the effectiveness of the responses to the findings of any review or examination by the Prudential Regulatory Authority and the Financial Conduct Authority, or any successor regulatory authorities;
- 7.12 Review, approve and monitor compliance with the plans submitted by the Compliance function;
- 7.13 Review the effectiveness of the systems, processes and plans designed to monitor and report upon compliance with laws and regulations, particularly in relation to the Company's authorisation by its regulators;

- 7.14 Review reports from the Money Laundering Reporting Officer and ensure that the Company has appropriate anti-money laundering systems and controls in place;
- 7.15 Review the Company's systems and controls for the prevention of bribery and receive any reports on non-compliance;
- 7.16 Review the Company's systems and controls in respect of data protection.

### **Appointment & Management of External and Internal Auditors**

- 7.17 Review, approve and monitor compliance with the plans submitted by the outsourced Internal Audit function including a review of the achievement of the Internal Audit function's objectives, in particular, on the execution of the audit plan;
- 7.18 Appoint outsourced Internal Auditors on behalf of the Board ensuring that the outsourcing and appointment process is robust and that the firm selected has the necessary resources, expertise and professionalism required for the role;
- 7.19 Ensure that there are no unjustified restrictions or limitations on the role and remit of the outsourced Internal Audit function;
- 7.20 Conduct a periodic exercise at least every three years to assess whether the outsourced Internal Audit function is more effective and beneficial to the Company than an in-house function;
- 7.21 Review the external auditors' proposed audit scope and approach, including coordination of effort with the outsourced Internal Audit function;
- 7.22 Review any representation letter requested by the External Auditors before they are presented for signing on behalf of the Board;
- 7.23 Review the findings of the External Audit, including key accounting and audit judgements, levels of errors identified, the effectiveness of the year end process;
- 7.24 Review the relationship with, and performance of, the External Auditors and recommend to the Board on the approval of the appointment or discharge of the External Auditors;
- 7.25 Review and confirm the independence of the Internal and External Auditors by obtaining statements from them on their relationships with the Company including the provisions of the details of any non-audit services and ensure that there is an appropriate policy in respect of fees for non-audit services;
- 7.26 On a regular basis meet separately with the Internal and External Auditors to consider any matters that the Committee or the Auditors believe should be discussed privately;
- 7.27 Review and approve the internal audit fees on behalf of the Board;
- 7.28 Review and make recommendations to the Board regarding the External Auditors fees;
- 7.29 Approve the audited Annual Report and Financial Statements to members and recommend it to the Board;

### **Other Group Companies**

- 7.30 The Committee shall make reports and recommendations, when appropriate, direct to the Boards of the Company's immediate parent company, MGM Advantage Holdings Limited, and of its sister company, MGM Advantage Services Limited, in relation to any of the matters within its duties in respect of the Company.

### **8 Relationship with the Board**

- 8.1 The role of the Committee is for the Board to decide and to the extent that the Committee undertakes tasks on behalf of the Board or any other Board committee, the results should be reported to, and considered by, the Board and committees as appropriate. In doing so, the Committee should identify any matters in respect of which it considers that action or improvement are needed, and make recommendations as to the steps to be taken.
- 8.2 The Committee should confirm annually to the Board that all the responsibilities set out in its Terms of Reference have been carried out and shall review annually its Terms of Reference and its own effectiveness and recommend any necessary changes to the Board.

### **9 Reporting Procedures**

- 9.1 The Chairman of the Committee shall report to the Board on its proceedings after each meeting. The minutes of the meeting shall be circulated to the members of the Committee following the meeting and subsequently to the full Board.

**Approved, as amended, by resolution of the Board dated 25 June 2015**