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**TERMS OF REFERENCE OF THE AUDIT COMMITTEE  
OF PHOENIX GROUP HOLDINGS plc**

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Adopted by the Board of Phoenix Group Holdings plc  
on 24 November 2022

**PHOENIX GROUP HOLDINGS plc (the "Company")**

**TERMS OF REFERENCE OF THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS (the "Committee")**

**1. CONSTITUTION**

- 1.1 The Committee has been established by resolution of the board of directors of the Company (the "**Board**") and is to be known as the Audit Committee. Its terms of reference replace the terms of reference of any pre-existing audit committee.

**2. ROLE**

- 2.1 The role of the Committee is to monitor the overall integrity of the financial reporting by the Company and its subsidiaries (the "**Group**"), to review the Group's internal control and risk management systems, to monitor the overall effectiveness of the Group's internal audit function and to oversee the relationship with the Group's external auditors. The duties of the Committee are more fully described in paragraph 9.

**3. MEMBERSHIP**

- 3.1 The Committee shall comprise not less than three members, all of whom are appointed by the Board from amongst the non-executive directors of the Company. The Committee Chair shall be appointed by the Board. In the absence of the Committee Chair, the members attending shall elect one of them to be chair for that meeting. The quorum for meetings of the Committee shall be two.
- 3.2 At least one member of the Committee shall have been determined by the Board to have recent and relevant financial experience; and the Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 3.3 The Chair of the Board, non-independent non-executive directors, executive directors and other members of management of the Company shall not be members of the Committee.
- 3.4 No person shall be permitted to attend Committee meetings unless they are:
- (a) a member or secretary of the Committee;
  - (b) the Group Company Secretary;

- (c) invited by the Committee Chair to attend the meeting in question (including but not limited to any expert person(s), representative(s) of the external auditors and/or the Chief Financial Officer (the "**CFO**")).

3.5 Appointments to the Committee shall be made by the Board on the recommendation of the Company's nomination committee.

3.6 Members of the Committee shall be named in the annual report and accounts of the Company.

#### **4. SECRETARY**

4.1 The Group Company Secretary or their nominee shall act as the secretary of the Committee.

#### **5. MEETINGS**

5.1 The Committee shall meet at least four times a year at appropriate times in the reporting cycle or more frequently as circumstances require. At least once a year, the Committee shall meet separately with each of the external auditors and the CFO to discuss matters relating to its remit and any issues arising from the audit. In addition, the CFO shall be given the right of direct access to the Committee Chair.

5.2 Meetings of the Committee shall be conducted in accordance with the provisions of the Company's articles of association (the "**Articles**") governing the proceedings of directors.

#### **6. NOTICE OF MEETINGS**

6.1 Meetings of the Committee shall be summoned by the secretary of the Committee at the request of any of its members or at the request of the Company's external or internal auditors if they consider it necessary.

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, no later than two working days before the date of the meeting.

6.3 No person other than permitted attendees and members of the Company Secretariat shall be entitled to receive any papers relating to the Committee unless expressly authorised in writing by the Committee Chair.

- 6.4 Notwithstanding paragraph 6.3 above, the Board will have access to copies of the minutes of any meeting of this Committee (provided that no conflict of interest with the business of the meeting exists).

## **7. REPORTING RESPONSIBILITIES**

- 7.1 The secretary shall minute the proceedings and the resolutions of all Committee meetings, including the names of those present and in attendance. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflict of interest and minute it accordingly. Draft minutes of Committee meetings shall be circulated to the Chair within seven days of the meeting.
- 7.2 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 7.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.
- 7.4 The Committee Chair shall be invited to attend the annual general meeting of the Company and shall be prepared to respond to any shareholder questions on the Committee's activities raised at that meeting.
- 7.5 The Committee shall ensure that any reporting complies with all applicable laws and regulations and with the rules and regulations of any market on which the Company's securities are listed from time to time.

## **8. AUTHORITY**

- 8.1 The Committee is authorised by the Board to:
- (a) investigate and undertake any activity within its terms of reference;
  - (b) seek any information that it properly requires from any employee of any member of the Group in order to perform its duties (and all employees are directed by the Board to co-operate with any request made by the Committee); and
  - (c) call any employee to be questioned at a meeting of the Committee as and when required.
- 8.2 If the Committee considers it necessary, it is authorised to obtain appropriate external advice to assist it in the performance of its duties and to secure the services of external parties with relevant experience and expertise and to invite those persons to attend

meetings of the Committee. The cost of obtaining any advice or services shall be paid by the Company within the limits authorised by the Board.

## **9. DUTIES**

### *External Audit*

9.1 The duties of the Committee shall be to:

- (a) consider the appointment, resignation or dismissal of the external auditor and make recommendations to the Board;
- (b) investigate the issues leading to any resignation of the external auditor and decide whether action is required;
- (c) discuss with the external auditor the nature and scope of the audit (including any significant ventures, investments or operations which are not subject to audit) and be satisfied with the effectiveness of the audit processes, including the degree of the interaction with management and, in particular, internal audit, risk management and compliance functions;
- (d) make recommendations to the Board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, removal and reselection of the external auditor and to approve the remuneration and terms of engagement of the external auditor, having considered the tenure of the current audit firm and whether a tender for audit services should be undertaken;
- (e) review and monitor the external auditor's independence and objectivity, satisfying itself that there are no relationships (such as family, employment, investment, finance or business) between the external auditor and the Company which could prejudice the external auditor's independence and objectivity, taking into consideration relevant professional and regulatory requirements;
- (f) review and assess the effectiveness of the external audit process;
- (g) develop and implement the Company's policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external auditor;
- (h) review and consider the results of the external audit and recommend to the Board the external auditor's fee;

- (i) assess annually the qualifications, expertise and resources of the external auditor and the efficacy of the audit process, which shall include a report from the external auditor on their own quality procedures;
- (j) seek to ensure external audit co-ordination with the activities of the internal audit function;
- (k) 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 the external auditor's remit and any issues arising from the audit;
- (l) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (m) consider communications from the external auditor on statutory and regulatory audit planning and findings and on any material weaknesses in accounting and internal control systems that come to the external auditor's attention;
- (n) review and discuss with management and the external auditor the preliminary results, interim results and annual financial statements before submission to the Board, focusing in particular on:
  - (i) the quality and acceptability of the accounting policies and practices and financial reporting disclosures, and any changes required to be made thereto;
  - (ii) areas involving significant judgement, estimation or uncertainty;
  - (iii) the detecting of material misstatements by the external auditor that individually or in aggregate have not been corrected, and management's explanations as to why they have not been adjusted;
  - (iv) the basis for the going-concern assumption and viability statement; and
  - (v) their compliance with financial reporting standards and relevant financial and governance reporting requirements;
- (o) discuss any difficulties, reservations or other matters arising from the external auditor's audits (in the absence of management where necessary), including:
  - (i) any major issues that arise during the course of the audit;
  - (ii) key accounting and audit judgements;

- (iii) levels of error identified during the audit; and
- (iv) obtaining explanations from management and the external auditors, if certain errors remain unadjusted;
- (p) review, prior to its consideration by the Board, the external auditor's report to the directors, and management's response;
- (q) review the audit representation letters before consideration by the Board, giving particular consideration to matters that relate to non-standard issues; and
- (r) review and monitor the content of the external auditor's management letter, in order to assess whether it is based on a good understanding of the business and establish whether recommendations have been addressed.

#### *Internal Audit*

9.2 The duties of the Committee shall be to:

- (a) 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 that the function has adequate standing and is free from management interference or other restrictions;
- (b) consider and approve the appointment, replacement or dismissal of the Head of Internal Audit function;
- (c) consider the major findings of any relevant internal investigations into control weaknesses, fraud or misconduct, and management's response (in the absence of management, where necessary); and
- (d) 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 have a primary reporting line to the Chair of the Committee and the right of access to the Committee.

#### *Financial Reporting*

9.3 The duties of the Committee shall be to:

- (a) liaise with the Nomination Committee in their consideration of the appointment and removal of the CFO;

- (b) review (including a review of the integrity of) the financial statements of the Company, including its annual and interim reports, results announcements and any other formal announcement relating to its financial performance;
- (c) review significant financial reporting issues and any judgements which they contain;
- (d) consider whether the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy; and to make a recommendation to the Board in support of their reporting on the same matter;
- (e) review summary financial statements and any financial information contained in other material documents (such as announcements likely to have a significant effect on the price of the Company's securities), provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the rules and regulations of any market on which the Company's securities are listed from time to time;
- (f) review reporting in the annual report and accounts and such other material documents in respect of climate change and sustainability<sup>1</sup> related matters for compliance with relevant regulations and legislation and standards set by the Board Sustainability Committee;
- (g) review and challenge where necessary:
  - (i) the consistency of, and any changes to, accounting policies, both on a year on year basis and across the Group;
  - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
  - (iii) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - (iv) the clarity of disclosures and the context in which statements are made; and

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<sup>1</sup> For the purpose of these terms of reference, 'sustainability' is deemed to include only those environmental, social or governance aspects related to our defined sustainability strategy and material areas of focus, and other such matters as determined by the board from time to time.



- (v) all material information presented with the financial statements, such as any operating and financial review and any corporate governance statement (insofar as it relates to the activities of the Committee);
- (h) be satisfied that there are processes in place to produce externally communicated financial information that is accurate and reliable and compliant with all relevant regulations and legislation;
- (i) review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting and/or other matters; reviewing reports arising from the operation of such arrangements.. The objective shall be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action. The Board shall be provided with the opportunity to review such arrangements and reports following the review of the Committee.

#### *Internal Control, Risk Management and Compliance*

#### 9.4 The duties of the Committee shall be to:

- (a) consider other topics, as defined by the Board, such as the Group's policies and procedures for preventing or detecting fraud;
- (b) review the effectiveness of the Group's internal financial controls, the Group's internal control and assurance framework and risk management systems and the Group's annual statement on internal control systems, and in particular, where requested by the Board, review:
  - (i) the policies and overall process for identifying and assessing business risks and managing their impact on the Group;
  - (ii) reports from management, the external auditor and others on matters related to risk and control; and
  - (iii) the timeliness and effectiveness of corrective action taken by management;
- (c) review the design and completeness of the framework relative to the Group's activities and risk profile;
- (d) review any findings and recommendations of the external auditors, internal auditors and/or other relevant parties in relation to internal controls and risk management, and monitor progress in implementing any such findings and recommendations;

- (e) review reports of significant breaches of the risk management system and all frauds (both potential and actual), including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrences;
- (f) delegate any of its powers to one or more of its members or the secretary of the Committee;
- (g) consider any other matters as may be requested by the Board; and
- (h) review other disclosures or documents as determined by the Board.

## **10. OTHER MATTERS**

### **10.1 The Committee shall:**

- (a) have access to the services of the Company Secretariat function on all Committee matters, including assisting the Committee Chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support;
- (b) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the rules and regulations of any market on which the Company's securities are listed from time to time;
- (c) engage with the Board Sustainability Committee and Board Risk Committee, as appropriate, to drive a consistent approach to the execution of the sustainability strategy across the Group and to ensure appropriate sustainability reporting, including reporting within the Company's Annual Report and Accounts;
- (d) oversee any investigation of activities which are within its terms of reference; and
- (e) at least once a year, 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