

Holloway Friendly Terms Of Reference – Audit Committee

1. Membership

- a. Members of the Committee shall be appointed by the Board and shall be made up of at least 3 members, all of whom should be independent non-executive directors.
- b. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive, Finance Director, Head of Risk, Compliance Officer and external advisers may be invited to attend for all or part of any meeting, as and when appropriate.
- c. The external auditors will be invited to attend meetings of the Committee on a regular basis.
- d. The Board of Management shall agree the membership of Committees at its first meeting following the AGM of the Society each year.
- e. The Committee shall elect a Chairman at its first meeting following the reconstitution of the Committee as set out in 1(d) above. The Chairman should be an independent non-executive director. In the absence of the Committee Chairman, the remaining members present shall elect one of their number to chair the meeting.

2. Secretary

- a. The Company Secretary shall act as the secretary of the Committee.

3. Quorum

- a. The quorum necessary for the transaction of business shall be 2 both of whom must be independent non-executive directors. 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

- a. The Committee shall hold at least three meetings each year and additionally as the Chairman of the Committee shall require.

5. Notice of Meetings

- a. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairman of the Committee.
- b. 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, any other person required to attend and all other non-executive directors, no later than 5 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.

6. Minutes of Meetings

- a. The Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.
- b. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- c. Minutes of Committee meetings shall be circulated to all members of the Committee and the Chairman of the Board and, once agreed, to all other members of the Board, unless a conflict of interest exists.

7. Annual General Meeting

- a. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any members questions on the Committee's activities.

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8. Responsibilities

- a. To ensure that the Society has:
 - i. Effective financial reporting
 - ii. Effective internal financial controls
 - iii. An effective internal audit function
 - iv. An External Auditor
 - v. An appropriate risk management structure
 - vi. An Actuarial function and a Head of Actuarial Function
 - vii. Effective Investment Management
- b. To make arrangements to enable staff to confidentially raise concerns about possible improprieties in matters of financial reporting or other matters and the investigation thereof
- c. To recommend to the Board the appointment, reappointment and removal of external auditors
- d. To monitor:
 - i. The integrity of the Financial Statements
 - ii. The effectiveness of the internal audit function
- e. To provide a direct means of communication between the BoM and:
 - i. Internal Auditors
 - ii. External Auditor
 - iii. The Head of Actuarial Function
 - iv. The Investment Manager(s)
- f. To consider and recommend to the BoM
 - i. Non-Executive BoM remuneration
 - ii. The CEO bonus scheme
 - iii. The SMT bonus scheme
 - iv. The staff bonus scheme
- g. To consider and agree the remuneration package of the CEO
- h. To consider and agree the remuneration package of the SMT

9. Financial Reporting

- a. Consider an annual review on the appropriateness and adequacy of the financial information presented to the BoM
- b. Three Year Strategic Plan and Annual Budgets - Receive the draft reports from the SMT. Discuss and agree reports to be recommended to the BoM.

10. Internal Audit

- a. Ensure that this is carried out cost effectively in a thorough manner by independent personnel.
- b. Review the annual audit plan.
- c. Receive and consider the Annual Internal Audit Report.
- d. Receive and consider each internal audit visit report.
- e. Receive responses from management on items raised in the above reports.
- f. Report issues to the BoM

11. External Audit

- a. Annually review the work and cost effectiveness of the External Auditor
- b. Annually review the independence and objectivity of the External Auditor
- c. Annually review the work and cost effectiveness of any non-audit services carried out during the year.

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- d. Receive and consider any interim Management Letter Points.
- e. Receive and consider the Annual Audit Summary.
- f. Report issues to the BoM

12. Risk Management

- a. Ensure that a **Risk Management Group** perform their role per their Terms of Reference.
- b. Receive regular reports from the **Risk Management Group**.
- c. Provide the Board of Management with regular reports on risk management throughout the Society.

13. Actuarial Function

- a. Annually review the work and cost effectiveness of the Head of Actuarial Function.
- b. Annually review the work and cost effectiveness of any other actuarial services carried out during the year.
- c. Receive and consider Annual report by the Head of Actuarial Function on the financial position of the Society.
- d. Consider the allocation and interest rates proposed in the report and recommend these to the BoM

14. Investment Management

- a. Annually review the work and cost effectiveness of Investment Managers.
- b. Consider an annual review on the appropriateness and adequacy of the investment information presented to the BoM
- c. Receive regular presentations by the Investment Managers
 - i. Review and monitor the Society's investment allocation and strategies

15. Reporting Responsibilities

- a. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- b. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- c. The Committee shall make a statement in the annual report about its activities.

16. Other

- a. The Committee shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

17. Authority

- a. The Committee is authorised to seek any information it requires from any employee of the Society in order to perform its duties.
- b. The Committee is authorised to obtain, at the Society's expense, outside legal or other professional advice on any matters within its terms of reference.