

# AUDIT COMMITTEE TERMS OF REFERENCE

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## THE BRITISH UNITED PROVIDENT ASSOCIATION LIMITED

### AUDIT COMMITTEE

#### Terms of Reference

#### 1. Constitution and Role

The Committee's current Terms of Reference were reviewed and adopted by a resolution of the Board on 6 December 2023.

These Terms of Reference set out the authorities and responsibilities delegated to the Committee by the Board.

The purpose of the Committee is to monitor:

- (i) the integrity of the Company's and Bupa Finance plc's financial statements, and external announcements regarding financial performance;
- (ii) the effectiveness of the Group's internal financial control system; and
- (iii) the effectiveness, performance, independence and objectivity of internal audit and the external auditor.

#### 2. Membership and Secretary

##### 2.1 Composition

The Committee shall comprise at least three Independent Non-Executive Directors and shall include the Chair of the Risk Committee and, if possible, a member of the Remuneration Committee.

The Committee Chair and its members shall be appointed by the Board, in consultation with the Nomination & Governance Committee and the Audit Committee Chair. The Chair of the Board shall not be a member of the Committee.

##### 2.2 Chair

In the absence of the Committee Chair, the members present at any meeting shall elect one of their number to chair the meeting.

##### 2.3 Knowledge and experience

At least one member of the Committee shall have recent and relevant financial experience. The remaining members should have experience of dealing with financial and accounting matters and the Committee as a whole should have competence relevant to the health insurance and healthcare sectors in which the Group operates.

##### 2.4 Disclosure of interests

Each member of the Committee shall disclose to the Committee:

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- (a) the nature of any direct or indirect, actual or potential, interest in any proposed transaction or arrangement with the Company; and
- (b) any direct or indirect, actual or potential, conflict with the interests of the Company arising in relation to any business of the Committee.

Any such member shall abstain from voting on resolutions that relate to such an interest or conflict. They shall also recuse themselves from all discussions on such matter, unless otherwise authorised by the Board.

### 2.5 **Secretary**

The Group Company Secretary or their nominee shall be secretary to the Committee.

## 3. **Meetings**

### 3.1 **Frequency and duration**

At least four meetings shall be held annually with any additional meetings to be agreed by the Committee Chair. Meetings shall be of suitable duration to allow full discussion of the matters required.

### 3.2 **Quorum**

The quorum for meetings of the Committee shall be two members present throughout the meeting in person or by electronic means, one of whom shall be a member of the Risk Committee.

### 3.3 **Notice**

Notice of each meeting confirming the date, time and venue shall be circulated by the Secretary to all members of the Committee and to other attendees (if appropriate) as far in advance as possible.

### 3.4 **Meeting Papers**

Papers for each meeting shall be circulated by the Secretary to all members of the Committee and to other attendees (if appropriate) at least five working days before a meeting.

### 3.5 **Attendance**

Only the Committee Chair and members are entitled to be present at meetings of the Committee.

The Group Chief Executive Officer, Group Chief Financial Officer, Group Chief Risk Officer, Group Chief Audit Officer, external audit lead partner, Group Chief Actuary, Group Performance and Finance Transformation Director and Director of Group Financial & Regulatory Reporting (or equivalent roles from time to time) will be invited to attend all or part of its meetings of the Committee on a regular basis.

The Committee may invite any other person(s) to attend all or part of any meeting when it considers appropriate.

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### 3.6 Minutes

The Secretary shall produce minutes of each Committee meeting within ten working days of the meeting and circulate them to the Committee Chair for review. Minutes should be presented to the following Committee meeting for members to review and approval as a true and accurate record of the meeting.

## 4. Duties and responsibilities

The Committee shall:

### 4.1 Financial Reporting

- (i) Monitor the integrity of the financial statements of the Company and Bupa Finance plc, including their annual and half-yearly reports, preliminary announcements, and any other formal announcement relating to their financial performance such as, but not limited to, the regulatory reports (the Annual Quantitative Reporting Template, Annual Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report).

Review and report to the Board on the significant financial reporting issues and the judgements which those statements contain having regard to the matters communicated to it by the external auditor.

- (ii) Review and challenge where necessary:
  - (a) the application of significant accounting policies and any changes to them.
  - (b) the methods used to account for significant or unusual transactions where different approaches are possible.
  - (c) whether the Company has adopted the appropriate accounting standards and policies and, where necessary, used appropriate:
    - estimates and judgements, including long-term viability and going concern, taking into account the external auditor's view; and
    - methods to account for significant or unusual transactions where different approaches are possible.
  - (d) the clarity and completeness of disclosures in the Company's financial statements and the context in which disclosures are made.
  - (e) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and risk management.
- (iii) Review any other statements requiring Board approval which contain financial information prior to such approval being sought, if practicable, and their consistency with all applicable accounting standards and legal and regulatory requirements.

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- (iv) Report its views to the Board where it is not satisfied with any aspect of the proposed financial reporting by the Company following its review.

### 4.2 **Narrative Reporting**

- (i) Monitor the integrity of all narrative reporting, review any significant reporting judgements, and oversee any external assurance undertaken in respect of such disclosures, including (but not limited to) sustainability and environmental, social and governance ('ESG') matters.
- (ii) Review the content of the Annual Report and Accounts, and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the Annual Report and Accounts on these matters that is required under the Code.

### 4.3 **Tax**

Review the Group's tax position at least annually.

### 4.4 **Systems of Internal Control**

#### (i) **Review Systems**

Keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.

#### (ii) **Compliance speak-up and Fraud**

- (a) Keep under review the Group's policy to ensure the adequacy and security of its arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, to ensure that the arrangements allow proportionate and independent investigation and appropriate follow-up action on such matters.
- (b) Review the Group's systems, controls and procedures for detecting fraud and preventing bribery and receive reports on non-compliance.

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### 4.5 Actuarial Function Report

At least annually receive, review and approve the Actuarial Function Report on behalf of the Board.

### 4.6 External Audit

#### (i) Appointment and removal

Conduct the process for selecting the external auditor and make recommendations to the Board, to be put to Association Members for approval at the Annual General Meeting, regarding the appointment, re-appointment and removal of the external auditor.

#### (ii) Tenure and Tender

Consider the appropriate point to recommend an audit tender to the Board, and develop and oversee the selection process, ensuring all tendering firms have the access necessary to information and individuals for the duration of the tendering process.

#### (iii) Resignation

If the external auditor resigns, investigate the issues leading to the resignation and consider whether any action is required.

#### (iv) Rotation

Ensure that the external auditor's engagement partners are rotated at appropriate intervals in compliance with relevant ethical and professional guidance.

#### (v) Remuneration

(a) Where the Board has been authorised by the Association Members (in a general meeting), approve the remuneration payable to the external auditor in respect of both audit fees and any other fees payable in relation to non-audit services.

(b) Ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted.

(c) Monitor that the level of fees paid by the Company compared to the overall fee income of the firm, office and partner, are in compliance with ethical and professional guidance.

#### (vi) Terms of engagement and Scope

Review and approve the external auditor's terms of engagement and the external audit plan, including that the scope, materiality level and procedures of the audit to ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

#### (vii) Meetings

Meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage.

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Meet the external auditor at least once a year without management being present, to discuss the remit of the external auditor and any issues arising from the audit.

(viii) **No restrictions**

Ensure that no management or other restrictions are being placed on the external auditor.

(ix) **Relationship with Internal Audit**

Ensure the co-ordination of the external auditor with the internal audit function;

(x) **Performance assessment**

Review their performance, effectiveness and tenure annually, including:

(a) **Independence and objectivity**

- Review and monitor the application of the Company's policy in relation to the external auditor's independence and objectivity and the effectiveness of the audit process.
- Annually assess the external auditor's independence and objectivity taking into account relevant professional, legal and regulatory requirements, the Ethical Standard, and the relationship with the external auditor as a whole, including the provision of any non-audit services, and satisfy itself that there are no relationships (such as family, employment, investments, financial or business), which could adversely affect the auditor's independence and objectivity.
- Review the Company's policy on employment of former partners or employees of the external auditor.
- Monitor the external auditor's processes for maintaining its independence, its compliance with relevant professional, legal and regulatory requirements, taking into account the Ethical Standard, including the guidance on the rotation of the audit partner and staff.

(b) **Expertise**

Annually assess the qualification, expertise and resources, and independence of the external auditor and the effectiveness of the audit process, taking into consideration all aspects of the audit service provided by the audit firm and a report from the external auditor on their own internal quality procedures.

(c) **Effectiveness of the audit process**

Review the effectiveness of the audit process, including an assessment of the audit quality, the auditor's handling of key judgements and its responses to Committee questions.

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(xi) **Non-audit services policy**

Develop and recommend to the Board for approval, the Company's policy on the provision of non-audit services by the external auditor, including prior approval of non-audit services by the Committee and management as set out in the Non-Audit Services Policy, specifying the types of non-audit services to be approved and the assessment of whether any non-audit services have a direct or material effect on the audited financial statements.

Ensure the Non-Audit Services Policy considers safeguards for the external auditor's independence and objectivity, the nature of the non-audit services, whether the external auditor is the most suitable supplier of the non-audit services, the fees for the non-audit services, individually and in aggregate, relative to the audit fee, and the criteria governing compensation.

Identify any matters where it considers action is needed and make recommendations to the Board on the steps to be taken.

(xii) **Review audit findings**

Discuss and review (in the absence of management where necessary) the results of the external auditor's work in respect of its annual and any interim audit, including but not limited to, any major issues which have arisen during the course of the audit (resolved and unresolved), the auditor's explanation of how the risks to audit quality were addressed, key accounting and audit judgements, the auditor's view of their interactions with senior management, levels of error identified during the audit.

(xiii) **Representation letters**

Review any representation letters requested by the external auditor before they are signed by management, giving particular consideration to matters where representation has been requested in relation to non-standard issues.

Consider whether the information provided is complete and appropriate based on its own knowledge.

(xiv) **Management letter**

Review the external auditor's management letter and review and monitor management's response to the external auditor's findings and recommendations.

### 4.7 Internal Audit

(i) **Remit and resources**

(a) Review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work and annually approve the Global Internal Audit Charter.

(b) Provide oversight to ensure:

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- internal audit has unrestricted scope, the necessary resources, the appropriate skills and experience, and access to the information necessary to enable it to fulfil its mandate;
  - there is open communication between different functions and that internal audit evaluates the effectiveness of these functions as appropriate as part of its internal audit plan; and
  - internal audit is equipped to perform in accordance with appropriate professional standards for internal auditors.
- (ii) **Group Chief Audit Officer**
- (a) Approve the appointment and removal of the Chief Audit Officer.
  - (b) Through the Committee Chair:
    - set objectives and review the performance of the Chief Audit Officer, taking into account the views of the Group Chief Executive Officer; and
    - recommend the performance rating and remuneration of the Chief Audit Officer to the Company's Remuneration Committee.
  - (c) Enable the Chief Audit Officer to have direct access to the Committee Chair and Board Chairman and is accountable to the Committee; and the Committee Chair and members have direct access to the Chief Audit Officer.
  - (d) Where tenure of the Chief Audit Officer exceeds seven years, annually assess the independence and objectivity of the Chief Audit Officer.
- (iii) **Annual Internal Audit Plan**
- Review and approve the annual internal audit plan and budget, to ensure activities are aligned to the key risks of the business.
- Monitor the planned programme of audits and any changes or delays in the programme.
- (iv) **Free of restrictions**
- Ensure that no management or other restrictions are placed on internal audit.
- (v) **Reports and actions**
- Receive and review regular reports from the Chief Audit Officer on internal audit activities, including progress against plans, key findings and managements' responses and implementation of action plans.
- (vi) **Effectiveness of Internal Audit**
- Annually carry out an assessment of the effectiveness of the Internal Audit function. As part of this assessment:
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- (a) meet with the Group Chief Audit Officer without management present to discuss the effectiveness of internal audit;
- (b) review and assess the annual internal audit plan;
- (c) review the results of internal audit's work;
- (d) determine if it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
- (e) review the actions taken by management to implement internal audit recommendations and support the effective working of the Internal Audit function.

Commission an independent review of the effectiveness of the Internal Audit function at least every five years or in line with relevant standards. Review the results of the Internal Audit function's internal Quality Assurance processes.

### 4.8 **Committee performance review**

At least annually, review its own performance and composition to ensure that it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

### 4.9 **Terms of Reference**

Annually review the Terms of Reference of the Committee, and its compliance with them, to ensure they remain appropriate and fit for purpose and recommend any changes considered necessary or desirable to the Board for approval.

### 4.10 **Liaison with other Committees and the Board**

Liaise as necessary with all other Board Committees and ensure the interaction between Committees and with the Board is reviewed regularly.

In particular:

- (i) work with the Risk Committee on risk management and internal controls;
- (ii) work with the Remuneration Committee on quality of earnings and control issues when setting targets and assessing remuneration outcomes; and
- (iii) work with the Board Sustainability Committee in relation to the review and approval of disclosure of sustainability and ESG matters in the Annual Report.

Where there is a perceived overlap of responsibilities between the Committee and another committee of the Board, the respective Committee Chairs shall have discretion to agree the most appropriate committee to fulfil any obligation. Notwithstanding paragraph 6.3. an obligation under these Terms of Reference, or of another committee of the Board, will be deemed by the Board to have been fulfilled provided it is dealt with by any committee of the Board or by the Board itself; and

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### 4.11 **Liaison with Subsidiary Company Audit Committees**

Work and liaise as necessary with major Subsidiary Company Audit Committees and, to the extent appropriate, any advisory committee or similar body with non-executive members which has been established to oversee the operations of subsidiaries.

### 4.12 **Other matters referred by the Board**

Consider any other matters that are referred to it by the Board.

## 5. **Reporting Responsibilities**

The Committee shall:

### 5.1 **The Board**

Through the Committee Chair, report to the Board on:

- (i) the proceedings of each Committee meeting and all matters within the Committee's duties and responsibilities and make any recommendations it considers appropriate on any area within its remit where action or improvement is needed.
- (ii) how the Committee has discharged its responsibilities, including:
  - (a) the significant issues that it considered in relation to the financial statements (required under paragraph 4.1) and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process (required under paragraph 4.6) and its recommendation on the appointment or re-appointment of the external auditor; and
  - (c) any other issues on which the Board has requested the Committee's opinion.

### 5.2 **Annual Report and Accounts**

#### (i) **Committee Report**

Review and recommend a statement for inclusion in the Company's Annual Report describing its activities, including:

- (a) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor;
- (b) an explanation of how the Committee has addressed the independence and effectiveness of the external audit process;
- (c) the approach taken to the appointment or reappointment of the external auditor;
- (d) information on the length of tenure of the current external audit firm, and when a tender was last conducted and advance notice of any retendering plans;
- (e) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services; and
- (f) all other information requirements set out in the Code.

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If the Board does not accept the Committee's recommendation on any matter, prepare a statement explaining the Committee's recommendation. This should be included in the Company's Annual Report with the Board's reasons for taking a different position.

(ii) **Internal Controls and Risk Management statement**

Review and recommend the Company's annual statement on its review of the effectiveness of the internal control and risk management systems to the Board, taking into account input from the Company's Board Risk Committee, which should include the assessment of principal and emerging risks, and the viability statement. The review should cover all material controls, including financial, operational, and compliance controls.

(iii) **Other Disclosures**

Review and recommend to the Board, the statement regarding Directors' responsibilities for preparing the Annual Report and Accounts and the financial statements in accordance with applicable laws and regulations..

5.3 **Going Concern Issues**

In compiling the reports in 5.1 and 5.2 above, the Committee shall exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant. It should include at least those matters that have informed the Board's assessment of whether the Company is a going concern (and identify any material uncertainties to the Company's ability to remain a going concern) and the inputs to the Board's viability statement.

5.4 **AGM**

The Chair of the Committee shall attend the Company's Annual General Meeting and be available to respond to any questions on the Committee's activities and areas of responsibility.

6. **Authorities**

6.1 **Resources and support**

The Committee shall be provided with sufficient resources to undertake its duties, including appropriate and timely training, as required.

The Committee shall have access to the services of the Secretary, the Group Performance and Finance Transformation Director and the Chief Audit Officer on all Committee matters.

The Committee is authorised to have unrestricted access to all of the books and records of the Company, and to seek any information it requires from any employee. It should advise the Group Chief Executive Officer if it has exercised this authority to seek information (other than

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routine information) from any employee, setting out the information required and the circumstances underlying the request.

### 6.2 Investigation and advice

The Committee is authorised by the Board to investigate any activity within its Terms of Reference and to intervene if the Committee considers it appropriate, and if the Board instructs it to do so. The Committee is also authorised to obtain independent legal, accounting or other professional advice on any matter within its Terms of Reference and to secure the attendance of such advisers, subject to signing a confidentiality agreement, at the Company's expense, if it considers this necessary. The Committee shall consult with the Chair of the Board before any fees are agreed.

### 6.3 Delegation

The Committee may delegate any actions in support of its function to a competent person, providing the terms of the delegation are documented in the Committee's records, but it may not delegate accountability for its duties and responsibilities.

## 7. Definitions

**Board** means the Board of Directors of the Company.

**Bupa/Company** means the The British United Provident Association Limited.

**Group** means the Company and its subsidiary companies.

**Code** means the FRC's UK Corporate Governance Code (as amended from time to time).

**Committee** means the Audit Committee of the Board.

**Directors** means Directors of the Company.

**Independent Non-Executive Directors** means Directors who have been appointed to the Company as Non-Executive and are deemed independent of the Company in accordance with the Code.