



**BENEFACT  
GROUP**

**Audit and Risk Committee  
Terms of Reference  
V1.0**

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## Document Control

### Document History

Date	Version	Key Changes	Distributed To
23/09/2024	V1.0	Establishment of new TORs for the newly created <b><u>BG plc ARC</u></b>	<b><u>BG plc Board</u></b>

### Document Sign-Off

Authorised by	Department	Version Signed-Off	Sign-Off Date
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Definitions to all emboldened and underlined references used throughout this document are included in the **Governance Framework**.

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# Terms of Reference

## 1. Introduction

- 1.1 The **ARC** was constituted as a **Committee** of the **Board of Directors** of **BG plc** in accordance with the **Articles** of **BG plc**.
- 1.2 The **ARC** has the delegated authority of the **Board** in respect of the functions and powers set out in these **Terms of Reference**.
- 1.3 The **ARC** may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which will report to the **ARC**.

## 2. Membership

- 2.1 The **ARC** shall comprise at least three members, all of whom shall be independent **Non-Executive Directors** and at least one of whom shall have recent and relevant financial experience and competence in accounting and/or auditing. The **ARC** as a whole shall have competence relevant to the sector in which the **Group** is operating.
- 2.2 Members of the **ARC** shall be appointed by **BG plc's Board** on the recommendation of the **Group Nominations Committee** and in consultation with the chair of the **ARC**. The chair of the **BG plc Board** shall not be a member of the **ARC**.
- 2.3 Only members of the **ARC** have the right to attend **ARC** meetings. However, the **GCFO**, **GCIA** and **GCR&CO** shall be expected to attend meetings of the **ARC** on a regular basis and other individuals including the **GCEO**, Head of Compliance and Chief Actuary and the external auditors may be invited to attend all or part of any meeting as and when appropriate.
- 2.4 **BG plc's Board** shall appoint the **ARC** chair. In the absence of the **ARC** chair and/or an appointed deputy at an **ARC** meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 2.5 Appointments to the **ARC** shall be for a period of up to three years, which may be extended for a further three-year period and annually thereafter, provided the **Director** continues to hold office and remains independent and is approved by the **shareholder**.
- 2.6 Any member of **BG plc's Board** may attend any **ARC** meeting with the prior consent of the **ARC's** chair, whose consent may not be unreasonably withheld.

## 3. Secretary

The company secretary, or their nominee, shall act as the secretary of the **ARC** and will ensure that the **ARC** receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

#### 4. Quorum

- 4.1 The quorum necessary for the transaction of business shall be two members.
- 4.2 A duly convened meeting of the **ARC** 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 **ARC**.

#### 5. Frequency of Meetings

- 5.1 The **ARC** shall meet at least four times a year at appropriate times and otherwise as required.
- 5.2 Meetings of the **ARC** may be conducted when the members are physically present together or in an alternative form (such as video conference, audio conference or written resolution).

#### 6. Notice of Meetings

- 6.1. Meetings of the **ARC** shall be called by the secretary of the **ARC** at the request of the **ARC** chair or any of its members or at the request of the **GCFO**, external or internal auditors if they consider it necessary.
- 6.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date of the meeting, together with an agenda of items to be discussed, shall be forwarded to each member of the **ARC** 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 **ARC** members and to other attendees, as appropriate, at the same time.

#### 7. Minutes of Meetings

- 7.1. The secretary of the **ARC** shall minute the proceedings and decisions of all **ARC** meetings, including recording the names of those present and in attendance.
- 7.2. Draft minutes of **ARC** meetings shall be circulated to all members of the **ARC**. Once approved, minutes should be circulated to all other members of the **BG plc Board**.

#### 8. Purpose

- 8.1. The **ARC's** primary role is to:
  - 8.1.1. Assist the **BG plc Board** in discharging its responsibilities for monitoring the integrity of the financial statements of **BG plc** and the effectiveness of the systems of internal controls and to monitor the effectiveness, performance and objectivity of the internal and external auditors.
  - 8.1.2. Provide oversight and advice to **BG plc's Board** in relation to the current and future risk exposures of the **Group**, by reference to strategic developments, including determination of risk appetite and tolerance and desired risk culture. The **ARC** will exercise its duties over all risks contained within the **Group's** risk appetite and the desired risk management approach set out in the **BG plc's RME**.

8.2. The **ARC** shall have regard to the **Group's** strategic objectives, culture and values. The **ARC** shall provide advice, oversight and challenge necessary to enable management to embed and maintain a supportive risk culture throughout the **Group**.

## 9. Duties

The **ARC** should carry out the duties below having regard to the **Group** as a whole.

### 9.1. Financial Reporting

9.1.1. The **ARC** shall review and challenge where necessary, the actions, significant issues and judgements of management in relation to **BG plc's** annual and interim financial statements, significant financial reporting judgements and any other formal announcement relating to **BG plc's** financial performance, having particular regard to the following points without being limited to them:

- a. That the annual report and accounts, taken as a whole, are fair, balanced and understandable, and provides the information necessary for the **shareholder** to assess **BG plc's** performance, business model and strategy.
- b. Accounting policies, practices and methods, and any changes thereto.
- c. The methods used to account for significant or unusual transactions (including any off balance sheet arrangements) and how they are disclosed.
- d. Compliance with accounting standards.
- e. Decisions requiring an element of judgement or estimates, taking into account the views of the external auditor.
- f. The clarity and completeness of disclosures and any changes to those disclosures.
- g. Significant adjustments resulting from the external audit.
- h. The assumptions or qualifications in support of the going concern statement.

9.1.2. After completing its review of **BG plc's** annual and interim financial statements, significant financial reporting judgements and any other formal announcement the **ARC** shall make a recommendation to **BG plc's Board**, including a report on any aspect of the proposed financial reporting that it is not satisfied with.

### 9.2. Climate Change

9.2.1. Oversee the **Group's** impact and exposure to financial and reputational risks arising from climate change on the **Group's** business model whilst ensuring it is in line with the **Group's** risk appetite, making any appropriate recommendations to the **BG plc Board** and liaising with other **Committees** where necessary.

9.2.2. The **ARC** shall review and challenge where necessary, the actions, significant issues and judgements of management in relation to climate and other non-financial metrics reporting included in climate-related and other non-financial disclosures.

### 9.3. Risk Management Systems and Internal Control

The **ARC** shall annually review the effectiveness of the **Group's** systems of internal controls, including financial reporting and financial controls.

#### 9.3.1. RMF:

9.3.1.1. Oversee the development and implementation of the **BG plc's RMF** and risk strategy, policies and processes, including the process for identifying, managing and overseeing risk, and ensuring a positive risk management culture is embedded in the **Group**.

9.3.1.2. On an annual basis, or in the event of a significant change to the **Group's** risk appetite, review the design and operating effectiveness of the **Group's** system of internal controls and risk management. The annual review should cover all material controls including financial, investments (including credit spread and default risk), operational, reporting and compliance controls.

9.3.1.3. Monitor any significant issues or weaknesses identified in the systems of internal control, and the actions taken by management to remediate, and make recommendations for change as and when appropriate.

### 9.4. Whistleblowing

The **ARC** shall review the adequacy and security of the **Group's** arrangements for its workforce to raise concerns about possible wrongdoing in financial reporting or other matters. The **ARC** shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

### 9.5. Internal Audit

The **ARC** shall:

9.5.1. Consider and annually approve the remit of the **Group's** Internal Audit Function. Monitor and review the effectiveness of the function and ensure that the function has adequate resources and appropriate access to information to enable it to perform effectively.

9.5.2. Consider whether an independent, third-party review of internal audit effectiveness and processes is required. An independent review should be performed every five years.

9.5.3. Review and approve the annual internal audit plan to ensure that it is aligned to the **Group's** key risks. Annually assess the internal audit plan.

9.5.4. Review the findings of the internal audit with management.

9.5.5. Annually, meet with the **G CIA** without other management present to discuss their remit in relation to the **Group** and any issues arising from the internal audits.

## 9.6. External Audit

The **ARC** shall:

9.6.1. Consider the appointment, re-appointment, removal or dismissal of **BG plc's** external auditor and develop and oversee the selection process for selecting an external auditor and make recommendations, through the **BG plc Board**, to the **shareholder** at the annual general meeting concerning the re-appointment of the external auditor.

9.6.2. Approve the external auditor's terms of engagement and, in consultation with the **Executive Directors**, agree and recommend their remuneration to the **BG plc Board**.

9.6.3. Annually assess, taking into account relevant (UK) law, regulatory requirements, the **Ethical Standard**, other professional requirements and the relationship with the external auditor as a whole:

- a. The external auditor's independence and objectivity, ensuring that safeguards are in place to mitigate threats to the external auditor's independence and objectivity, including ensuring that the nature and amount of non-audit work does not impair the external auditor's independence and objectivity.
- b. The effectiveness of the external audit process, taking into relevant UK law, regulation and other professional requirements and the Ethical Standard (including guidance on the rotation of the audit partner and staff), reviewing information from the external auditor.

9.6.4. Review and approve the annual audit plan, including planned levels of materiality and proposed resources.

9.6.5. Review the external auditor's report and their internal quality control procedures and consideration of the **Group's** annual transparency reports.

9.6.6. Review the findings of the external audit with the external auditor and where appropriate with management.

9.6.7. Review the **Policy** on the provision of non-audit services and employment of former employees of the external auditor, taking into account the **Ethical Standard** and legal requirements, and recommend to the **BG plc Board**. Monitor the application of this **Policy**.



## 9.7. Investments

- 9.7.1. Review and approve an investment risk management policy for the **Benefact Group**.
- 9.7.2. Review and approve relevant Market Risk appetites and Board approved limits relating to investment strategy (including exposure to strategic assets)
- 9.7.3. Regularly review the suitability of market risk and investment exposure, with reference to risk appetite and limits (by exception)
- 9.7.4. Regularly review the suitability of non-traded assets, managing valuation uncertainty and ensuring effective systems and controls are in place to limit and manage their exposure.
- 9.7.5. On an exception basis, receive reports from **MIREM**.

## 9.8. Group Risk

- 9.8.1. Approve the appointment or removal of the **GCR&CO**. Consider and annually approve the remit of the **Group** Risk Function. Monitor and review the effectiveness of the function and ensure that the function has adequate resources and appropriate access to information to enable it to perform effectively.
- 9.8.2. On an annual basis, approve the assurance plan for the **Group**; review the business continuity and cyber risk reports; meet with the **GCR&CO** without other management present to discuss their remit in relation to the **Group** and any issues arising from risk review work undertaken; and assess the current, emerging and potential risks facing the **Group** and provide advice on the management and mitigation of those risks, ensuring there are effective procedures in place to identify and manage emerging risks.
- 9.8.3. Work with all other **Committees** where their work has risk implications. Specifically, and at the request of the Group Remuneration Committee, review reports and provide recommendation on the **FCA's** Remuneration Code, risk adjustment mechanisms to be applied to performance objectives set in the context of incentive packages and the risk impact of other remuneration proposals.

## 9.9. Prudential Risk

- 9.9.1. Review **Group's** capital management taking into consideration the economic capital requirements and risk appetite.
- 9.9.2. Review the appropriateness of stress tests, scenario analysis and reverse stress tests, reviewing results and proposing necessary actions.

As it applies to the **Group**:

- 9.9.3. Oversee the design of Internal Model validation exercises, Internal Model Validation Reports and subsequent remediation plans.
- 9.9.4. Review the methodology, assumptions and limitations used in the **Group's** model for determining its economic and regulatory capital requirements.
- 9.9.5. Review and recommend to the Board:
  - 9.9.5.1. the scope of the **Group's** internal model.
  - 9.9.5.2. all model changes, modelled management actions and subsequent plans.
  - 9.9.5.3. acceptance of the annual Solvency Capital Requirement Report.
  - 9.9.5.4. acceptance of the Own Risk and Solvency Assessment and oversee associated developments.

#### 9.10. **Conduct Risk**

- 9.10.1. Consider and approve the **Group's** conduct risk appetite, including monitoring the adequacy of the **Group's** approach to conduct risk and reviewing the implementation of conduct risk policy requirements, and ensure a conduct risk culture is embedded across the **Group**.
- 9.10.2. Review any significant conduct risk issues that have a material impact on **Customers**.

#### 9.11. **Reputational Risk**

- 9.11.1. Review the **Group's** reputational risk profile in line with the **Group's** risk appetite including consideration of emerging risks;
- 9.11.2. Provide oversight of the process for identifying, managing and overseeing **Group** reputational risk; and
- 9.11.3. Review Management actions to address any **Group** reputational risks identified.

#### 9.12. **Compliance**

- 9.12.1. Consider and approve the remit of the **Group** Compliance Function and ensure that the function has adequate resources and appropriate access to information to enable it to perform effectively.
- 9.12.2. Review and assess the annual compliance plan and annually meet with the **Group's** Head of Compliance without other management present to discuss their remit and issues arising from compliance monitoring reviews.

### 9.13. Governance and Regulation

- 9.13.1. Review the effectiveness of the **Group's** systems and processes for ensuring compliance with regulation in all of the **Group's** jurisdictions.
- 9.13.2. Review the effectiveness of **BG plc's** systems and processes for ensuring compliance with the **Code**.
- 9.13.3. Review the **BG plc's Governance Framework**, **BG plc's Group Policy Framework**, **BG plc's Expectations of SBUs**, internal audit charter and the **CRSA**. Review the **Group Authorities Framework** and recommend to the **BG plc Board**.
- 9.13.4. Review and recommend to the **BG plc Board** the **AQRT**, the **SFCR** and the **RSR**.
- 9.13.5. Review the **QRT** and, in the event of material changes to the economic capital requirement or **SCR**, inform **BG plc's Board**.

## 10. Reporting, Disclosure and Governance

- 10.1. The **ARC** chair shall report formally to the **BG plc Board** on its proceedings after each meeting on all matters within its duties and responsibilities and make whatever recommendations to the **BG plc Board** it deems appropriate on any area within its remit where action or improvement is needed.
- 10.2. The **ARC** shall compile a report on its activities, including a report on its own performance, to be included in **BG plc's** annual report describing the work of the **ARC** and recommend to the **BG plc Board** approval of the Risk Management Report to be included in **BG plc's** annual report.
- 10.3. Annually, the **ARC** shall 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 **BG plc Board** for approval.
- 10.4. The **ARC** shall consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.
- 10.5. The **ARC** shall review the assurance reports from management on the effectiveness of the internal control and risk management systems, including reports on the **Group's** systems and controls relating to outsourcing (including investment function and activities) and third party risk management and for the prevention of bribery and corruption, anti-money laundering and data protection from the **GCR&CO**, Group Compliance, the **MLRO** and **DPO**; and from the internal audit, the external auditor and others on the operational effectiveness of matters related to internal audit, external audit, risk and control.

10.6. The GCIA, GCR&CO and Head of Compliance have direct access to the ARC chair on matters within the ARC's remit.

## 11. Other Matters

The ARC shall:

- 11.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.
- 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.

## 12. Authority

The ARC is authorised to:

- 12.1. Request the attendance of any employee at a meeting of the ARC and/or seek any information it requires from any employee of the Group in order to perform its duties.
- 12.2. Obtain, at BG plc's expense, independent legal or other professional advice on any matter within its Terms of Reference if it believes it necessary to do so.