



M&G plc
(Company number: 11444019)
(the “Company”)

Terms of Reference for the Audit Committee

1. Purpose

- 1.1. The Board of Directors of the Company (the “**Board**”) has established an Audit Committee (the “**Committee**”) whose duties and responsibilities are discharged with respect to the Company and, where indicated, the M&G plc Group of Companies (together, the “**Group**”).
- 1.2. The role of the Committee is, among other matters, to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring:
- (i) The integrity of the Group’s financial statements, related announcements and other financial information provided to shareholders;
 - (ii) The assurance processes to verify the financial and non-financial information included in the Group’s Annual Report and Half-Year Report;
 - (iii) The effectiveness of the Group’s internal controls and risk management systems;
 - (iv) The effectiveness and objectivity of the internal and external audit processes and auditors;
 - (v) The effectiveness of the Group’s whistleblowing procedures;
 - (vi) The effectiveness of processes for compliance with laws, regulations and ethical codes of practice; and
 - (vii) Receiving information, via regular reporting on entities that are subsidiaries of the Company and form part of the Group. The Committee is not the audit committee for those entities but has responsibility for oversight of any issues escalated to it by Group subsidiaries.
- 1.3. The more specific responsibilities of the Committee are set out below.

2. Constitution of the Committee

- 2.1. **Membership** – There shall be at least three Independent Non-Executive Directors (“**Directors**” and each a “**Director**”) of the Committee, as determined by the Board in accordance with the UK Corporate Governance Code (the “**Code**”), one of whom shall be the Chair of the Risk Committee. The Committee as a whole should have competence and relevant experience in investment management and insurance savings and at least one member of the Committee should meet the requirements of having competence in accounting and/or auditing as set out in the Disclosure



Guidance and Transparency Rules and be determined by the Board to have significant recent and relevant financial experience as specified in the Code. The Chair of the Board shall not be a member.

- 2.2. **Appointment of Members** – The Board shall appoint members of the Committee, following recommendation by the Nomination Committee, in consultation with the Chair of the Committee (the “**Committee Chair**”)
- 2.3. **Appointment Term** – Nomination Committee shall be responsible for appointments of members.
- 2.4. **Chair** – The Committee Chair should be recommended by the Nomination Committee and shall be appointed by the Board.
- 2.5. **Quorum** – The quorum for meetings shall be two members, one of whom shall be the Committee Chair, or their appointed deputy, and the other a member of the Board’s Risk Committee. A duly convened meeting of the Committee at which a quorum is present is competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 2.6. **Voting** – Each Committee member in attendance at a meeting (whether in person or by telephone or video conference) shall have one vote which may be cast on matters considered at the meeting except where they are deemed, either directly or indirectly, to have a personal interest. The Committee Chair shall have a casting vote except where he or she has a personal interest.
- 2.7. **Secretary** – The Company Secretary of the Company (the “**Secretary**”), or their nominee, shall act as secretary to the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues and matters laid before it.
- 2.8. **Frequency of Meetings** – The Committee shall meet at least four times per year and at any other time as the Committee’s role and responsibilities require. Meetings may be conducted by telephone or video conference and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.
- 2.9. Outside of the formal meeting programme, the Committee Chair and, to a lesser extent, the other Committee members shall maintain a dialogue with the key individuals involved in the Company’s governance, including the Chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the Chief Auditor and the Group’s external Audit Partner (the “**External Auditor**”).
- 2.10. **Attendance at Meetings** – Only Committee members have the right to attend Committee meetings. The Chief Auditor and the External Auditor shall attend and



address the Committee on a regular basis and shall meet the Committee without management present at least once a year. Other non-members, such as the Chief Financial Officer, may be invited to attend all or part of any meetings as and when the Committee Chair considers it appropriate.

- 2.11. **Notice of Meetings** – Meetings of the Committee shall be convened by the Secretary at the request of the Committee Chair or any other Committee member. Unless otherwise agreed, and except where a situation of urgency otherwise requires, wherever practicable, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each Committee member no later than five business 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 or at shorter notice with the Committee Chair’s approval.
- 2.12. **Minutes of Meetings** – The Secretary or their nominee shall minute the proceedings and decisions of all Committee meetings. Draft minutes shall be agreed with the Committee Chair and circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other Board members unless, in the Committee Chair’s opinion, it is inappropriate to do so.

3. Annual General Meeting

- 3.1. The Committee Chair shall attend the Annual General Meeting (the “**AGM**”) of the Company to answer any shareholder questions on matters within the Committee’s area of responsibility.

4. Responsibility

Within the framework of the Group’s financial controls and financial management policies the Committee shall carry out the following duties. To support any aspect of reporting, or to supports its review of the adequacy and effectiveness of internal controls, risk management internal and external audit processes, the Committee may request internal or external assurance on any matters.

Group Financial Reporting

- 4.1. Monitor the integrity of the Group’s consolidated financial reporting, including the Company’s annual and half-yearly reports, preliminary results announcements and any other formal announcement relating to its financial performance.
- 4.2. Review and report to the Board on significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain, having regard to matters communicated to it by the External Auditor.



4.3. Review, and challenge where necessary:

- (i) The application and appropriateness of significant accounting policies and any changes to them on a year on year basis and across the Company and the Group;
- (ii) Whether the Company has made appropriate estimates and judgements, taking into account the External Auditor's views;
- (iii) The clarity and completeness of financial reporting disclosures and changes to those disclosures, including the review of any correspondence between the Company and the External Auditor;
- (iv) The methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;
- (v) Significant adjustments resulting from the external audit;
- (vi) The assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company looking forward over an appropriate and justified period);
- (vii) The reporting in the Annual Report and Accounts and any other material public documents in respect of climate change and Environment, Social and Governance ('ESG') matters for compliance with relevant regulations and legislation and standards, including but not limited to the climate-related financial disclosures required by the UK Listing Rules; and
- (viii) Any other statements requiring Board approval and which contain financial information, where to carry out a review prior to Board approval would be both practicable and consistent with any prompt reporting requirements under any law or regulation including the Financial Conduct Authority's ("FCA") Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

4.4. Monitor compliance with financial reporting standards and any recognised investment exchange and other financial and governance reporting requirements.

4.5. Review all material information presented with the financial statements, such as the strategic report and the corporate governance statements, insofar as they relate to audit and risk management.



- 4.6. Review the disclosures in the Annual Report concerning the Group's defined benefit pension funds if not reviewed by the Board as a whole.

Narrative Reporting

- 4.7. Review the content of the Company's Annual Report and Accounts, including associated narrative statements, and advise the Board on whether: (i) taken as a whole, they are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy; and (ii) they inform the Board's statement on these matters as required under the Code.
- 4.8. Approve the Audit Committee Report for inclusion in the Company's Annual Report and Accounts.

Tax Strategy

- 4.9. Approve the content of the Company's Tax Strategy Statement for publication on the Company's website.

Group Internal Controls and Risk Management

- 4.10. Review the adequacy and effectiveness of the Group's risk management framework and internal control systems in conjunction with the Risk Committee prior to review by the Board.
- 4.11. Provide assurance to the Board that senior management's control assurance processes are implemented and are complete and effective.

Regulatory Reporting

- 4.12. Review (and where agreed between the Board Chair and Committee Chair approve on behalf of the Board) material disclosures to the Group's main regulators, including Solvency II and Pillar 3 reports in respect of the Company and relevant subsidiaries for publication and submission to the regulator.

Risk & Compliance (incl. Whistleblowing)

- 4.13. Review and approve the Integrated Assurance Plan (IAP) (including the compliance monitoring plan and the Group's internal audit plan (covered in 4.16 and 4.20(i) respectively)) and monitoring progress and receiving key control findings from the reviews.



- 4.14. Approving the annual Compliance Plan (including compliance monitoring plan) and any other combined plan that management bring to the Committee and monitoring progress and key control findings from Compliance reviews.
- 4.15. Review the robustness and adequacy (including the independence, autonomy and effectiveness) of the Company's whistleblowing policies and procedures, ensuring that such arrangements allow fair treatment in handling concerns raised, proportionate and independent investigation of such matters and appropriate follow up action.
- 4.16. Receive regular reporting from the Chief Risk and Compliance Officer covering updates on new and progress on existing assurance issues.

Internal Audit

- 4.17. Consider and approve the appointment, performance evaluation and termination of the Chief Auditor.
- 4.18. To allow the Committee to form an opinion on the effectiveness, performance and independence of the Group's internal audit function:
 - (i) Approve the Group's internal audit plan, particularly with regard to the Group's strategy, and risk and control profile; ensuring that it is free from constraint by management;
 - (ii) Consider the adequacy of resources available to the Group's internal audit function (both financial budget and skills available) in the context of the risk and control profile of the Group;
 - (iii) Review the major findings presented by internal audit and consider the appropriateness of management's response to them;
 - (iv) Review the quarterly report on resolution of internal audit issues, requesting further management explanation where necessary for high priority issues that are overdue;
 - (v) Review the performance of the Group's internal audit function and commission a periodic independent assessment of the effectiveness of the Group's internal audit function; and
- 4.19. Annually approve the Internal Audit Charter to ensure it is appropriate for the Group's needs.



- 4.20. Review and monitor management's responsiveness to the Chief Auditor's findings and recommendations.
- 4.21. Ensure the Chief Auditor has direct access to the Chair of the Board and to the Chair of the Committee and is accountable to the Committee.
- 4.22. Ensure that the Internal Audit Function maintains its independence and objectivity in the discharge of its duties.
- 4.23. Ensure that the Committee meets with the Chief Auditor to discuss the effectiveness of the Internal Audit Function, its remit and any issues resulting from audits, without management present, at least once a year (see clause 5 for further details).

Group External Audit

- 4.24. Consider the appointment, re-appointment and removal of the External Auditor, and make recommendations to the Board to be put to the Company's shareholders for approval at the AGM.
- 4.25. Ensure that at least once every ten years the audit services contract is put out to tender and, in respect of such tender, oversee the selection process ensuring that all tender firms have access to necessary information throughout the process, and that rules on audit tender and auditor rotation are observed.
- 4.26. Own the relationship with the External Auditor, including but not limited to:
 - (i) Approving the terms of their engagement, including any engagement letter issued at the start of each audit and the scope of the audit and agreeing and approving (in consultation with executive Directors) the External Auditor's remuneration (including fees for both audit and non-audit services) to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;
 - (ii) Annually assessing the performance, independence, objectivity and effectiveness of the External Auditor taking into account relevant UK and, where applicable, EU professional and regulatory requirements and the relationship with the External Auditor as a whole;
 - (iii) Satisfying itself that there are no relationships between the External Auditor and the Group (other than in the ordinary course of business) which could adversely affect the External Auditor's independence and objectivity;
 - (iv) Agreeing with the Board a policy on the employment of former employees of the External Auditor, taking account of the relevant ethical standards and legal requirements, monitoring the implementation of this policy, including the



Committee's own safeguards relating to independence, and considering whether there has been an impairment or appearance of impairment of the External Auditor's independence and objectivity;

- (v) Monitoring the External Auditor's compliance with relevant ethical and professional guidance on the rotation of the Audit Partner, the level of fees paid by the Group compared to the overall fee income of the firm, office and Audit Partner and other related requirements;
 - (vi) Assessing annually the qualifications, expertise, resources, independence and objectivity of the External Auditor and the effectiveness of the audit process, which shall include a report from the External Auditor on their own internal quality procedure;
 - (vii) Seeking to ensure coordination with the activities of the Internal Audit Function; and
 - (viii) Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the External Auditor from the market in that evaluation.
- 4.27. Meet regularly with the External Auditor and at least once a year, without management being present, to review and discuss the External Auditor's remit and any issues arising from the audit (see clause 5 for further details).
- 4.28. Review and approve the annual Group External Audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 4.29. Review the findings of the audit with the External Auditor, including but not limited to the following:
- (i) A discussion of any major issues which arose during the audit;
 - (ii) Key accounting and audit judgements;
 - (iii) Levels of errors identified during the audit; and
 - (iv) The effectiveness of the audit process.
- 4.30. Review any representation letter(s) requested by the External Auditor before they are signed by management.



- 4.31. Review, before its consideration by the Board, the External Auditor's report to the Directors and their management letter, including management's response to the External Auditor's findings and recommendations.
- 4.32. Develop and implement a policy on the supply of non-audit services by the External Auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant regulations and ethical guidance on the matter including the Committee's prior approval of non-audit services and the types of non-audit service to be pre-approved, and assess whether non-audit services have a direct or material effect on the audited financial statements.

5. Private Meetings

- 5.1. The Committee shall put in place arrangements for each of Internal Audit, Risk and Compliance and the External Auditor to meet privately with the Committee without the presence of management, on a rolling programme.

6. Reporting Responsibilities

- 6.1. The Committee Chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities, including how it has discharged its responsibilities. The report shall include:
 - (i) The significant issues that it considered in relation to the financial control environment and how these were addressed;
 - (ii) Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the External Auditor; and
 - (iii) Any other issues on which the Board has requested the Committee's opinion, identifying any matters in respect of which it considers that improvement is needed, whether the subject of a specific request by the Board or not, and make recommendations as to the steps to be taken.
- 6.2. Subject to clause 2.10, the Committee shall make its minutes available to the Board.
- 6.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 6.4. The Committee shall compile a report on its activities to be included in the Company's Annual Report and Accounts which should describe the work of the Committee, including:



- (i) An explanation of how the Committee has addressed the effectiveness of the External Audit process and its approach taken to the appointment or re-appointment of the External Auditor, the length of the incumbent auditor's tenure, when a tender was last conducted, advance notice of any re-tendering plans (and reasons why completing that process in that proposed financial year is in the best interests of shareholders) and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;
 - (ii) In the case of the Board not accepting the Committee's recommendation on the External Auditor appointment, reappointment or removal, a statement from the Committee explaining its recommendation and the reasons why the Board has taken a different position;
 - (iii) The significant issues that the Committee considered in relation to the financial statements of the Company and how these issues were addressed, having regard to matters communicated to it by the External Auditor;
 - (iv) The nature and extent of interaction (if any) with: (a) the Financial Reporting Council's ("FRC") Corporate Reporting Review team; and (b) disclosures relating to significant findings and proposed actions following review by the FRC's Audit Quality Review Team;
 - (v) The Committee's policy for approval of non-audit services, how auditor objectivity and independence is safeguarded, the audit fees for the statutory audit for audit related services and other non-audit services, including the ratio of audit to non-audit work, and for each significant engagement, or category of engagements, what the services are and why the Committee concluded that it was in the Company's interest to purchase them from the External Auditor;
 - (vi) An explanation of how the Committee has assessed the effectiveness of the Internal Audit process and satisfied itself that the quality, experience and expertise of the Internal Audit Function is appropriate for the business; and
 - (vii) All other information requirements set out in the Code and/or by the Prudential Regulation Authority (the "PRA") and/the FCA and/or any and all further regulators of the Group.
- 6.5. The Committee Chair should seek engagement with shareholders on significant matters related to their area of responsibility. The Committee members should be prepared to meet shareholders.
- 6.6. The Committee shall make its Terms of Reference available to the public and the Company's shareholders via the Company's website.



7. Authority

- 7.1. The Committee shall be authorised to seek any information it requires from any Group employee in order to perform its duties and call any employee to be questioned at a Committee meeting as and when required.
- 7.2. The Committee shall be authorised to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so, and invite persons giving such advice to attend Committee meetings.
- 7.3. The Committee shall be authorised to have the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Committee and the Board.
- 7.4. The Committee shall liaise regularly with the Board's Risk Committee and where there is perceived overlap of responsibilities between the Committee and the Risk Committee, the respective Committee Chairs shall have discretion to agree the most appropriate committee to fulfil any obligation. An obligation under the Terms of Reference of the Committee or the Risk Committee shall be deemed to have been fulfilled providing it is dealt with by either the Committee or the Risk Committee. The Committee shall liaise with other Board level committees as appropriate. Where the Committee requests any reviews to be carried out which have an impact on the Risk Committee, the Committee Chair shall liaise with the Risk Committee Chair to determine the most appropriate way to update the Risk Committee.

8. Delegation

- 8.1. The Committee has the delegated authority of the Board in respect of the functions and powers in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 8.2. Where appropriate to ensure the ongoing operating efficiency of the Committee, the Committee may delegate responsibility to the Committee Chair to execute decisions on its behalf. In these instances, the Committee Chair would, where appropriate, solicit the views of fellow Committee members.

9. Other

- 9.1. The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.



- 9.2. Each member of the Committee will receive an induction upon appointment to the Committee. The level of induction needed will be considered by the Committee Chair and the Secretary. The Committee will receive training on an ongoing basis.
- 9.3. The Committee shall give due consideration to laws and regulations, the provisions of the Companies Act 2006, the Code, guidance as issued by the PRA, the FCA (and/or any and all regulators of the Company or the Group or any one of its constituent entities) and the requirements of the FCA's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate.
- 9.4. The Committee shall oversee any investigation of activities which are within its Terms of Reference.
- 9.5. The Committee shall undertake a formal and rigorous annual review of its own performance and review its Terms of Reference at least annually, to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board. Any changes to the Committee's Terms of Reference must be approved by the Board.

10. Prudential Regulation Authority

- 10.1. In accordance with the requirements of the PRA rules on Audit Committees, the Committee's responsibilities include:¹
 - (i) Informing the Board of the outcome of each statutory audit of the Company and explaining how such audit contributed to the integrity of financial reporting and what the role of the Committee was in that process;
 - (ii) Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity;
 - (iii) Monitoring the effectiveness of the Company's internal quality control and risk management systems and, where applicable, its Internal Audit Function,

¹**Note:** This summary is taken from the PRA rules on Audit Committees and refers to items covered in detail elsewhere in these Terms of Reference. While the rules only apply directly to insurance company Audit Committees, this summary has been included in these Terms of Reference as a matter of good practice.



regarding the financial reporting of the Company, without breaching the Committee's independence;

- (iv) Reviewing and monitoring the performance of the Internal Audit Function;
- (v) Reviewing and monitoring the independence of the External Auditor in accordance with applicable law and regulation; and
- (vi) Responsibility for the procedure for the selection of the External Auditor and recommending the External Auditor to be appointed in accordance with applicable law and regulation.

Approved by the Board on 14 December 2022

Approval History

Date	Version	Approved By	Details
14 December 2022	V4	Board	Annual Review
14 December 2021	V3	Board	Annual Review
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22 July 2019	V1	Board	Inaugural TOR