

# LEGAL & GENERAL GROUP PLC (the “Company”)

## Audit Committee – Terms of Reference

### 1. Constitution of the Committee

1.1 The Board of Directors of the Company (the “Board”) resolved to appoint an Audit Committee (the “Committee”), which is a committee of the Board. The Committee’s responsibilities are discharged on behalf of the Company and its subsidiaries (as appropriate) (collectively known hereafter as the “Group”). The Committee will annually review the Terms of Reference listed below, which will be approved by the Board. In addition, the effectiveness of the Committee will be reviewed on an annual basis.

### 2. Membership

- 2.1 Members of the Committee are appointed by the Board on recommendation of the Nominations and Corporate Governance Committee in consultation with the Chair of the Committee.
- 2.2 The Committee will comprise a minimum of three independent Non-Executive Directors of the Company. Independence is determined by relevant legislation and corporate governance.
- 2.3 The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting. In the absence of the Chair the remaining members of the Committee present shall elect one of themselves to chair the meeting.
- 2.4 The Chair of the Company shall not be a member of the Committee.
- 2.5 The Chair of the Risk Committee and a member of the Remuneration Committee shall be a member of the Committee.
- 2.6 The Committee as a whole shall have competence relevant to the sector in which the Company and its subsidiaries operate. At least one of the members shall be determined to have recent and relevant financial experience.

### 3. Duties and Authority

- 3.1 The Board has delegated authority to the Committee to assist the Board in discharging its responsibilities in relation to; Monitoring the integrity of the financial statements; the oversight of the operational financial risk and internal control functions; external financial reporting and any formal associated announcements and reviewing financial reporting judgements contained in them; the independence of the Group's external auditors; the resourcing and plans of the Internal Audit department; and the adequacy and effectiveness of the control environment.
- 3.2 The Committee will, through discussions with the external auditor, the Group Chief Executive Officer, the Group Chief Financial Officer, the Group Chief Internal Auditor and such members of management as it shall request, discharge the following duties:

3.2.1 Internal control

- 3.2.1.1 Review and make a recommendation to the Board on the adequacy and effectiveness of the Group's system of internal control (including financial control), in line with the Financial Reporting Council's Guidance on Risk Management, Internal Control and Financial and Business Reporting, and risk management system. Receive reports from the external and internal auditors, the Group Chief Financial Officer, Group Chief Risk Officer and management on the effectiveness of the systems of internal control and financial risk management established. Report to the Board on issues and conclusions on adequacy and effectiveness of the Group's system of internal control.
  - 3.2.1.2 Review and make a recommendation to the Board on the content and clarity of disclosures in the Directors' statements related to internal controls and risk management - i.e. the report on the effectiveness of the risk management and internal control systems and the statement confirming that the directors have carried out a robust review of the principal risks, and review the principal risks and uncertainties included in the Group Annual Report and Accounts and make a recommendation to the Board regarding its acceptance.
  - 3.2.1.3 Review the appetite and assurance activities in respect of both financial and non-financial reporting matters.
  - 3.2.1.4 Review reports on instances of financial crime and fraud involving the Group.
  - 3.2.1.5 Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.
  - 3.2.1.6 Review the Group's compliance with its statutory tax obligations.
  - 3.2.1.7 Review and approve the policies and arrangements for operating the business in a sound and prudent manner and in compliance with any financial regulations relating to the business of the Group (including the UK Corporate Governance Code).
  - 3.2.1.8 Review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.
- 3.2.2 Annual report & accounts, other announcements, and other external corporate reporting disclosures required by legislation.
- 3.2.2.1 Review the Group's accounting principles and policies adopted in the accounts and any changes proposed to them.
  - 3.2.2.2 Satisfy itself through discussions with management and the external auditor that the Group's accounting and reporting procedures conform to the law and applicable accounting standards.
  - 3.2.2.3 Review and make a recommendation to the Board on external reporting disclosures that may have a material impact on the Group's reputation. This includes, but is not limited to, the Climate Report, the Social Impact Report (including the Gender Pay Gap Report and Modern Slavery Report) and the Climate Transition Plan (progress against the Climate Transition plan will be included within the Climate Report).
  - 3.2.2.4 Review the disclosure and accounting treatment of any litigation and contingent liabilities affecting the Group, including consideration of any tax contingencies which may exist.
  - 3.2.2.5 Review the going concern disclosures to be included in the half yearly and annual reports.
  - 3.2.2.6 Review the viability statement to be included in the annual report.
  - 3.2.2.7 Review the reporting of any significant transactions, which are not a normal part of the Company's business.

3.2.2.8 Review the report to be included in the annual report on the activities of the Committee, including disclosures relating to the appointment, independence and non-audit fees of the external auditor, advance notice of any retendering plans and the significant issues considered by the Committee in relation to the financial statements and how these issues were addressed.

3.2.2.9 Review the interim and annual financial statements, together with any related London Stock Exchange announcement, and any other announcement relating to the Company's financial performance prior to publication including regulatory reporting (such as the Solvency and Financial Condition Report under Solvency II) which will enter the public domain. This review will include:

3.2.2.9.1 Whether the Strategic Report, the corporate governance statements relating to audit and any other information presented in the annual report are consistent with the financial statements;

3.2.2.9.2 Whether the presentation of Alternative Performance Measures in the interim and annual financial statements, together with any related announcements, is consistent with the FRC guidelines on Alternative Performance Measures;

3.2.2.9.3 Consideration of issues addressed in the preparation of the accounts, including significant judgmental areas, critical accounting policies and the use of estimates; and

3.2.2.9.4 The explanation included in the annual report of the basis on which the Company generates or preserves value over the longer term (the business model).

3.2.2.10 Where requested by the Board, provide advice on whether the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

3.2.2.11 The Committee shall review and recommend approval of any other statements which contain financial information and require Board approval before the Board if such Committee approval would be both practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.

3.2.2.12 Consider the clarity of the Group's financial reporting and, in the case of the Chair of the Committee, be prepared to meet investors.

### 3.2.3 External Auditor

3.2.3.1 Assess the effectiveness of the annual audit through discussions with the external auditor on the scope and planning of their audit for the forthcoming year. The Committee will seek assurance that management has placed no restrictions on the scope of the audit.

3.2.3.2 Ensure there is sufficient co-ordination between the internal and external auditors.

3.2.3.3 Approve the terms of engagement and engagement letters for each audit, and review the management representation letters.

3.2.3.4 Approve the auditor's fees, once summarised annually for the Committee by management, in accordance with powers delegated at the AGM.

3.2.3.5 Develop, implement and monitor a policy on:

3.2.3.5.1 the type and extent of non-audit services provided by the external auditor, considering the impact this may have on independence and compliance with the Ethical Standard;

3.2.3.5.2 the assessment of non-audit services that have a direct or material effect on the audited financial statements; and

3.2.3.5.3 the types of non-audit service for which use of the external auditor is pre- approved and recommend such policy to the Board.

3.2.3.6 Approve all non-audit services to be provided by the external auditors to entities that are consolidated in the Group financial statements. Approval for services (other than those that fall under the pre-approval policy) should be granted by the Committee or, between meetings, the Chair of the Committee in advance of the commencement of the service.

- 3.2.3.7 Monitor the objectivity and independence needed in the conduct of the audit in accordance with the Ethical Standard and other related regulatory standards.
  - 3.2.3.8 Agree a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, and monitor this policy implementation in order to be satisfied that there are no relationships between the auditor and the Company other than in the ordinary course of business.
  - 3.2.3.9 Make recommendations to the Board, subject to shareholder approval at the AGM, for the appointment, re-appointment or removal of the external auditor. The Committee, as a whole, shall develop and conduct the selection process for a new auditor, ensuring that all tendering firms: are given fair and objective consideration, have access to all necessary information and individuals during the tendering process and, if the auditor resigns, investigate the issues leading to this and decide whether any actions are required. The Committee shall ensure the selection criteria is transparent and non-discriminatory. When selecting a new auditor, the Committee shall decide on the basis of quality, independence, challenge and technical competence.
  - 3.2.3.10 Have regular open communication with the external auditor and, at least annually, meet without management present.
  - 3.2.3.11 Assess annually the qualifications, expertise and resources, objectivity and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures, taking into consideration relevant UK professional and regulatory requirements. The Committee should satisfy itself that the quality of the audit is of a sufficiently high standard, supported by evidence, and illustrate how it has arrived at its conclusion.
  - 3.2.3.12 Assessment of the effectiveness shall take into consideration the external auditor's mind-set and culture; skills, character and knowledge; quality control; and judgement, including the robustness and perceptiveness of the external auditor in handling key judgements and responding to questions from the Committee
  - 3.2.3.13 Review the results of the audits carried out by the external auditor and any significant recommendations made by them and the adequacy of management's response and invite challenge. Where appropriate, give due consideration to points raised by the external auditor and make appropriate changes to financial statements in response.
  - 3.2.3.14 Monitor the auditor's compliance with the Ethical Standard, the level of fees that the Group pays in proportion to the overall fee income of the firm or relevant part of it and other related regulatory requirements.
  - 3.2.3.15 To assist in forming an opinion on the above matters, the Committee will receive and review regularly the minutes of any audit committees, as may exist, of the Group's subsidiary businesses.
- 3.2.4 Internal Auditors
- 3.2.4.1 Monitor, review and approve the role and mandate of Group Internal Audit ('GIA') including the annual plan, the effectiveness and independence of GIA, reports from the Group Chief Internal Auditor including key findings and recommendations and the adequacy of management's response to audit reports.
  - 3.2.4.2 Recommend approval of the appointment and removal of the Group Chief Internal Auditor to the Group Board.
  - 3.2.4.3 Ensure the internal audit function is free from management, or any other, restrictions and has adequate standing in the Company.
  - 3.2.4.4 Ensure that the internal audit function maintains its independence and objectivity in the discharge of its duties.

3.2.4.5 Meet at least annually with the Group Chief Internal Auditor, without management being present.

#### **4. Meetings and Quorum**

- 4.1 Only members of the Committee have the right to attend Committee meetings; however, the Committee may invite others to attend all or part of any meeting, if it thinks it is appropriate or necessary.
- 4.2 The Company Secretary, or their nominee, shall act as Secretary of the Committee. The Secretary to the Committee will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues. In addition, the Secretary shall minute the proceedings and resolutions of Committee meetings, including the existence of any conflicts of interest.
- 4.3 Any two members shall constitute a quorum.
- 4.4 The Committee shall meet at least five times per year, in accordance with the financial reporting calendar, and at other times as the Chair of the Committee deems appropriate.
- 4.5 Notice of a meeting and distribution of papers shall be no less than five working days prior to the meeting. Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.
- 4.6 Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chair, the Group Chief Executive Officer, the Group Chief Financial Officer, Group Chief Actuary, Group Director of Finance, the external lead audit partner and the Group Chief Internal Auditor.

#### **5. Reporting responsibilities**

- 5.1 The Chair of the Committee shall report to the Board following each meeting of the Committee on how the Committee has discharged its responsibilities including matters considered, decisions taken, its assessment of the effectiveness of the external audit process including its recommendation on the appointment/re-appointment of the external auditor and recommendations the Committee deems appropriate to the Board on any areas within the Committee's remit where action is required.
- 5.2 The Chair of the Committee will report back on Committee activities, where required, to any relevant subsidiary Boards and subsidiary Audit Committees through senior management.
- 5.3 The Committee will produce a report on its activities to be included in the Company's annual report. This report will include the requirements as stated in the UK Corporate Governance Code.

#### **6. Relationships with other Committees**

6.1 The Chair of the Committee must attend the Group Risk Committee. The work of the Committee is closely linked with that of the Group Risk Committee.

6.2 Principal Subsidiaries Audit Committees:

6.2.1 The Committee shall approve the standard terms of reference of the audit committees of the Group's principal subsidiaries (namely, Legal and General Assurance Society Limited and Legal & General Investment Management (Holdings) Limited) and any material deviations, receive the minutes of those committees and review reports on any other material matters referred by the Chairs of these committees.

6.2.2 The Committee Chair has a standing invitation to attend any of the principal subsidiaries audit committee meetings. All appointments to principal subsidiary audit committees are reported to the Group Board.

**7. Engagement with shareholders**

7.1 The Chair of the Committee shall attend the annual general meeting of the Company to answer any shareholder questions on the Committee's activities. In addition, the Chair of the Committee shall seek engagement with shareholders on significant matters related to the Committee's area of responsibility, including, where appropriate, in relation to the scope of the external audit.

**8. Other matters**

8.1 In order to fulfil its duties, the Committee is able to seek information from any Director or employee of the Group and has access to all Group records. All employees and Directors will comply with all requests made by the Committee.

8.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.

8.3 The Committee is authorised by the Board to obtain outside accounting, legal, or other independent professional advice, where the Committee deems it necessary, at the Company's expense.

8.4 The Committee is concerned with the business of the whole of the Group and its authority extends to all relevant matters relating to the Group and its subsidiaries.

8.5 The Committee shall give due consideration to all relevant laws and regulations, the provisions of the UK Corporate Governance Code, the UK Listing, Prospectus, Disclosure and Transparency Rules and any other applicable rules, as appropriate.