



**AUDIT AND RISK
MANAGEMENT COMMITTEE
TERMS OF REFERENCE**

ABSTRACT

All organisations should have, at a minimum, an Audit Committee whose membership shall be a majority of the Independent Directors. The audit committee has responsibility for overseeing financial reporting and related internal controls, risk, independent and internal auditors, and ethics and compliance.

**National Code of Corporate
Governance (2016)**

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Purpose and Scope

The present document is the Audit and Risk Management Committee Charter of Quantum Insurance Ltd (hereinafter referred to as the “Company”)

The Audit and Risk Management Committee (hereinafter referred to as the “ARC” or the “Committee”) shall be a sub-committee to the Board of Directors and operating under the terms of reference set by the Board of Directors herein.

The Committee shall cumulate both the supervisory audit function but also the Risk Management aspect in line with the Insurance (Risk Management) Rules 2016.

The Audit function of the Committee is responsible for assisting the Board in discharging its responsibilities for monitoring the integrity of the Company’s financial statements and the effectiveness of the systems of internal controls and to monitor the effectiveness, performance and objectivity of the internal and external auditors.

Risk oversight of the Committee is to assist the Board in articulating and developing its risk management strategy and providing oversight of risk across the Company. This includes overseeing the current and future risk exposures and risk strategy, developing and monitoring the effectiveness of the risk management framework, including risk appetite, risk policies, key process and controls, and the promotion of a risk-aware culture throughout the Company.

1. Membership and Secretary

1.1 Membership

- 1.1.1 The Committee shall comprise at least three members, minimum of at least 2 of whom shall be independent Non-executive Directors.
- 1.1.2 Appointments to the ARC are made by the Board on the recommendation of the Nomination & Governance Committee and in consultation with the Audit Committee Chair.
- 1.1.3 The Board shall appoint the ARC Chair who shall be an independent Non- Executive Director.
- 1.1.4 The Chair of the Board of Directors shall not be the Chair of the ARC.
- 1.1.5 The Committee Chair and at least one other Member of the ARC should have competence of relevant financial experience with at least appropriate professional qualifications or accounting, or related financial management expertise as required by Financial Services Commission.
- 1.1.6 The ARC Members shall 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.

1.2 Secretary

The Company Secretary or their nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the business of the meeting.

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The secretary or their nominee shall minute the proceedings and decisions of all Committee meetings and retain copies of the papers.

Minutes of Committee meetings shall be circulated to Committee members, the Board and, where appropriate, other meeting attendees

2. Attendance

The Members shall attend meetings on a regular basis.

Any absence of members for more than 2 consecutive meetings shall be considered in the Committee's performance review for action by the Board of Directors.

3. Remuneration

The remuneration of the ARC shall be approved by the Board after consultation with the Remuneration Committee.

4. Disclosure of Interest

Each member of the Committee shall disclose to the ARC:

- (a) the nature of any direct or indirect 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 of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions to the extent that such engagement in the transaction, arrangement or conflict has not been approved by the Board.

The Members shall use the Declaration Form (Annex)

5. Meetings

5.1 Frequency

At least four meetings shall be held annually, with other meetings agreed by the Committee Chair.

A majority of all the Members of the Committee shall constitute a quorum.

5.2 Proceedings of Meeting

Meetings of the Committee shall be called by the secretary of the Committee at the request of the Audit Committee Chair or any of its members, or at the request of the external auditor or the Internal Auditor if they consider it necessary.

In the absence of the Audit Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

Only members of the Committee have the right to attend Committee meetings.

However, a standing invitation will be issued to all Non-executive Directors to attend with the consent of the Committee Chair, and the following individuals would be expected to attend meetings as and when required:

- the Chair of the Board.

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- the Chief Executive Officer.
- the Financial Officer.
- the Risk Officer.
- the Compliance Officer
- the Internal Auditor; and
- the External Auditor.

Other individuals may be invited by the Audit Committee Chair to attend for all or part of any meeting, as and when appropriate.

The Committee may also obtain at the Company's expense external legal or independent professional advice from such advisers as the Committee shall select, who may, at the invitation of the Committee, attend meetings as necessary.

The ARC may seek any information that it requires from any employee of the Company in order to perform its duties and require all employees to co-operate with any request made by the Committee.

At least once a year, and at any other time as the Committee shall see fit, it shall meet separately with each of the Risk Officer, Internal Auditor and the external auditor in the absence of other members of Management.

5.3 Quorum

The quorum for meetings of the Committee shall be two members present throughout the meeting.

6. Duties and Responsibilities

The Committee is responsible for:

6.1 Integrity of the Financial reporting

- 6.1.1 Monitoring the integrity of any financial reporting, as well as the Company's financial statements, reviewing the accounting policies adopted and any changes to them, decisions taken regarding major areas of judgement, significant adjustments resulting from the audit, the going concern assumption, the long-term viability statement and compliance with accounting standards and Insurance Business Practices.
- 6.1.2 Reviewing and providing advice to the Board as to whether, to the best of the Committee's belief the Company's Annual Report and Accounts, taken as a whole is
 - 6.1.2.1 fair, balanced and understandable; and
 - 6.1.2.2 provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether such information supports the Board's statement on these matters in the Company's Financial Statement and Accounts required under Financial Services Act and Insurance Act.

recognising that certain parts of this assessment are reserved to the Board and providing such additional assurance as the Board may reasonably require regarding the reliability of financial information submitted to it.

- 6.1.3 Carrying out an initial review of any other statements, including regulatory reporting and filings, which require board approval, and which contain financial information.

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- 6.1.4 Monitoring the financial reporting process and submitting recommendations or proposals to the Board to ensure its integrity.
- 6.1.5 Reviewing the litigation report and the proposed litigation statement for inclusion in any financial reporting.

6.2 Risk Management Strategy & Framework

- 6.2.1 Review the Company's risk appetite annually, considering the current and prospective macroeconomic, financial, clinical and regulatory environment. The Committee should evaluate and advise the Board on whether the Company has a clearly defined risk strategy and risk appetite that align to the Company's stated purpose, values, strategy and objectives.
- 6.2.2 Keeping under review the framework and effectiveness of the Company's system of internal control, which includes financial reporting, risk management including Company's Critical Models, the adequacy of resources, qualifications and experience of accounting, internal audit, and financial reporting staff and their training programmes.
- 6.2.3 Review the design, implementation and effectiveness of Company's System of Governance and Risk Management Framework to ensure they appropriately define how the business should manage or mitigate the principal risks.
- 6.2.4 Oversee the development, maintenance and implementation of appropriate policies and approve or recommend for approval such policies to the Board.
- 6.2.5 Ensuring that Risk Assessment and Reporting is in line with the Insurance (Risk Management) Rules 2016.

6.3 External Audit

The ARC shall:

- 6.3.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment or removal of the external auditor.
- 6.3.2 Develop and oversee the selection process for the appointment of the audit firm,
- 6.3.3 Approve the nature and scope of the audit with the external auditor before the audit commences and reviewing the findings of the audit, as well as management's response on completion.
- 6.3.4 Ensure that applicable rules on audit tender and auditor rotation are observed and that all tendering firms have access to all necessary information and individuals during the tendering process.
- 6.3.5 If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.
- 6.3.6 Monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements.
- 6.3.7 Monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of the relevant legal, professional, and regulatory requirements.
- 6.3.8 Resolve disagreements between management and the external auditor regarding financial reporting.

6.4 Internal audit

- 6.4.1 Reviewing and approving the role and mandate of internal audit, monitoring and reviewing the effectiveness and performance of the service provided by the internal audit function.
- 6.4.2 Approving the internal audit budget, ensuring that the internal audit function is adequately resourced, and free from constraint, and that it has access to information to enable it to fulfil its mandate and has the appropriate standing.

6.5 Whistleblowing

Reviewing the adequacy and security of the Company's arrangements for employees and any stakeholders to raise concerns anonymously and in confidence about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that such arrangements allow proportionate and independent investigation of such matters and appropriate follow up action

7. Reporting Responsibilities

The Chair of the Committee (or a Committee member nominated by the Chair of the Committee) shall report to the Board on the proceedings of each Committee meeting and all matters within the Committee's duties and responsibilities. make any recommendations it considers appropriate on any area within its remit where action or improvement is necessary.

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.

8. Committee performance review

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

The ARC shall review its terms of reference and recommend any changes it considers necessary to the Board for approval.

Annex – Declaration of Interest

Quantum Insurance Ltd is committed to best practice in all aspects of corporate governance. As part of this commitment, all members of the Board of Directors and relevant Board Committees are required to exercise independent judgement in the best interests of the Company and should not be perceived to be unduly influenced by external factors in their decision-making.

This includes fully disclosing any actual, perceived or potential conflicts of interest.

The Company asks all members of the Board and its Committees to identify and declare their interests in line with its Conflict-of-Interest Policy. The declaration should be completed on appointment, and thereafter.

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Members are requested to notify the Chairperson of the Board and Secretary of any changes as they occur to ensure the Register of Interests is kept up to date.

In addition, members should also declare any conflict of interest arising from an agenda item of a meeting on the Declaration of Interests during a Meeting.

The onus is on members to consider any interests they may have, as well as any potential conflict of interests of immediate family members. The following table seeks to assist in disclosing the information.

	Direct Interests of Member <i>This column should be used to declare all your personal and/or financial interests</i>	Indirect Interests <i>This column should be used to include any interests of spouse and immediate family members which may give rise to a conflict of interest with the Company</i>
Employment <i>Any remunerated roles or consultancy work, including details of the organisation and your role.</i>		
Directorships <i>Including details of the organisation and company registration number</i>		
Shareholdings <i>Shareholdings amounting to 20% or greater of the share issue in a public or private company or any other body.</i>		
Gifts & Hospitality <i>Issued by organisations outside of the Company because of your position as a member.</i>		
Other interests <i>Any other interests not listed above.</i>		

In signing this declaration, I confirm that to the best of my knowledge I have declared all of my interests in line with the Company's Conflict of Interest and Gifts and Hospitality Policies.

Name (Print): _____ Signed: _____ Date: _____