

GROUP AUDIT AND RISK COMMITTEE TERMS OF REFERENCE

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Reference to ‘the Committee’ shall mean the Audit & Risk Committee.

Reference to ‘the Board’ shall mean the Board of Directors of Chesnara plc.

Reference to ‘the Group’ shall mean Chesnara plc and its subsidiaries.

1. OBJECTIVES

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing, monitoring, and where appropriate, making recommendations regarding:

- 1.1 the integrity of the Company’s financial statements, climate related and non-financial disclosures, financial reporting judgements contained therein, and any other financial or quantitative information contained in documents which require Board approval, including related announcements provided to the market as may be appropriate;
- 1.2 the effectiveness of the Group’s Systems of Governance and Internal Control Systems, including internal accounting, actuarial and financial controls;
- 1.3 the independent position of the Group’s external auditors and provide channels of communication between them and the Non-Executive Directors;
- 1.4 the performance of the Group’s internal and external auditing functions and to make recommendations to the Board, as deemed appropriate, regarding the appointment and removal of the external auditor;
- 1.5 arrangements by which staff may raise concerns about possible improprieties in matters of financial reporting and other, wider matters;
- 1.6 the current and potential future risk exposures of the Group relative to the Group’s stated Risk Appetite; and
- 1.7 the processes for compliance with laws, regulations, ethical codes of practice, the UK Corporate Governance Code and the FRC Audit Committees and the External Audit: Minimum Standard (FRC Minimum Standard).

2. MEMBERSHIP

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination & Governance Committee in consultation with the Committee Chair. The Committee shall be made up of at least three members.
- 2.2 All members of the Committee shall be independent¹ Non-Executive Directors, at least two of whom, where possible and appropriate to the size of the Company, shall have recent and relevant financial experience and industry experience. The Chair of the Board shall not be a member of the committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals, such as the Board Chair, members of senior management and/or representatives from the Risk Management, Internal Audit and Finance (including Actuarial) functions, will be invited to attend for all or part of any meeting as and when appropriate and necessary.

¹ Independent within the definition of the UK Corporate Governance Code.

- 2.4 The external auditors will be invited to attend meetings of the Committee on a regular basis and the external auditors themselves may request additional meetings if they consider this necessary.
- 2.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for no more than two further three-year periods provided that the Director still meets the criteria for membership of the Committee.
- 2.6 The Board through its Nomination & Governance Committee shall appoint the Committee Chair who shall be an independent Non-Executive Director. In the absence of the Committee Chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.7 In addition to the remuneration paid to NEDs, Chesnara is entitled to pay further remuneration to members of the Committee to recompense them for the additional responsibilities of membership, subject to approval by the Remuneration Committee. Any remuneration paid to NEDs will be in compliance with Chesnara's directors' remuneration policy.
- 2.8 The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Group Company Secretary, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

3. SECRETARY

- 3.1 The Group Company Secretary or his/her nominee shall act as the Secretary of the Committee.

4. QUORUM

- 4.1 The quorum necessary for the transaction of business shall be 2 members. A duly convened meeting of the Committee 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 Committee.

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least four times a year at appropriate times in the financial and risk reporting and audit cycles and otherwise as required.
- 5.2 The Chair shall, in consultation with the Group General Counsel & Company Secretary, decide the frequency of meetings and set and manage agendas as appropriate. There should be as many meetings as the Committee's role and responsibilities require.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be convened by the Group Company Secretary of the Committee at the request of any of its members or at the request of external or internal auditors or the Group CRO if they consider it necessary.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than 5 working 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.

7. MINUTES OF MEETINGS

- 7.1 The Group Company Secretary or his/her nominee shall minute the proceedings and decisions of all Committee meetings, including the names of those present and in attendance.
- 7.2 Minutes of the Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all other members of the Board unless it would be inappropriate to do so.
- 7.3 A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

8. ANNUAL GENERAL MEETING

- 8.1 The Chair of the Committee shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant matters related to the committee's areas of responsibility.

9. DUTIES

The Committee shall carry out the duties below for Chesnara Plc and the Group as a whole and as appropriate. In addition, the Chair, and to a lesser extent the other members of the Committee, shall liaise on a continuing basis with the key people involved with the Group's corporate governance, including the Group Chief Executive Officer ("GCEO"), Group Chief Financial Officer ("GCFO"), Group Chief Actuary ("GCA"), Group Chief Risk Officer ("GCRO"), Group Company Secretary, Business Unit A&RC chairs and the external lead audit partner.

9.1 Financial Reporting

- 9.1.1 The Committee shall monitor and review the integrity of the financial and narrative statements of the Group including its annual and half-yearly reports and any other formal announcements relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain, and having regard to matters communicated to it by the auditor. The Committee shall also review summary financial statements and any financial information contained in certain other documents, including Group Solvency UK Regulatory reports (Solvency and Financial Condition Reports and Regular Supervisory Report), and any such announcements of a price sensitive nature. Monitoring and review shall take place prior to Board approval.
- 9.1.2 In particular, the Committee shall review and challenge where necessary:
 - (a) the consistency of, and any changes to, accounting policies both on a yearly basis and across the Group;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) whether the Group has followed appropriate accounting and actuarial standards and made appropriate estimates and judgements, including those related to setting Policyholder liabilities, taking into account the views of the Group Chief Actuary and those of the external auditor;

- (d) the clarity and completeness of disclosures in the Group's financial reports and the context in which statements are made;
- (e) whether each of the Annual Report & Accounts and related documents, and the Interim Financial Statements and related documents, taken as a whole, is fair, balanced and understandable, and provide the information reasonably considered necessary for shareholders to assess the Group's performance, business model and strategy.
- (f) all material information presented with the financial statements, such as the business review, results announcement, investor presentations and the corporate governance statements as they relate to the audit and risk management;
- (g) compliance with accounting and regulatory requirements;
- (h) the going concern assumption;
- (i) the viability statement assumptions;
- (j) the group's approach to Economic Value (EcV) reporting;
- (k) the methodologies, models, bases and calculation of technical provisions within group companies; and
- (l) the sufficiency of financial assets to meet liabilities to policies.

9.2 Non-Financial Reporting

9.2.1 The Committee shall monitor and review the integrity of the non-financial and climate-related reporting disclosures of the Group. Monitoring and review should take place prior to Board approval.

9.2.2 In particular, the Committee will review and challenge where necessary:

- (a) whether the Group has followed appropriate non-financial and climate-related reporting standards and, where necessary, made appropriate estimates, judgements and disclosures; and
- (b) compliance with relevant legal and regulatory requirements.

9.3 Risk Management and Internal Control Systems

The Committee shall on behalf of the Board (which retains overall responsibility for risk management):

- 9.3.1 keep under review the adequacy and effectiveness of the Group's systems of governance, risk management and internal control systems, including the regular identification/assessment of Principal Risks;
- 9.3.2 Review and assess the effectiveness of the company's material controls, and provide the Board with the assurance and recommendations necessary to support its annual declaration on the effectiveness of material controls;
- 9.3.3 review and recommend to the Board the disclosures to be included in the Annual Report in relation to internal controls, risk management and the viability statement;

- 9.3.4 receive reports and review the policy from management on the effectiveness of the control systems that they have established and the conclusions of any testing carried out upon them; and
- 9.3.5 review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation.

The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively.

9.4 Whistleblowing, Anti-bribery, operational resilience and Fraud

The Committee shall:

- 9.4.1 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. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 9.4.2 review the Group's procedures for detecting fraud, and systems and controls for the prevention of bribery, cyber-attacks, corruption and criminal tax evasion and receive reports on non-compliance;
- 9.4.3 receive and review the procedures for assessment of the systems of governance, in relation to whistleblowing, operational resilience (including cyber resilience, data privacy and information security risks), anti-bribery and fraud, including evidencing adequacy and incidence and, where procedures are not being used, assessments of whether there are any cultural or other factors that discourage such use; and
- 9.4.4 satisfy itself with the Group's anti money laundering systems and controls.

9.5 Internal Audit

Chesnara adopts a decentralised model to deliver its Line 3 function with the local subsidiary Audit and Risk Committees being responsible for the oversight and supervision of their audit function, whether such function is internal or outsourced. The local Audit & Risk Committees are responsible for the following areas and must report any material issues to this Committee;

- 9.5.1 monitor and review the effectiveness of the Internal Audit function and/or the internal audit teams in the context of the Group's overall risk management system;
- 9.5.2 consider the remit of the Internal Audit function and/or the internal audit teams and ensure that they have adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The local Audit & Risk Committee shall also ensure that the function has adequate standing and free from inappropriate management interference or other restrictions or impediments;
- 9.5.3 review and approve, the annual internal audit plan;
- 9.5.4 review promptly any reports issued to it by the internal auditors;
- 9.5.5 review and monitor management responsiveness to the findings and recommendations of the internal audit reports; and
- 9.5.6 meet the Head of Internal Audit and/or relevant internal audit representative at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the Head of Internal Audit and/or

relevant internal audit representative shall be given the right of direct access to the Chair of the Board and the Audit & Risk Committee.

The Committee shall consider periodically an independent external assessment of the Internal Audit function across the group, where this is considered to add value to the overall assurance arrangements.

9.6 External Audit

The Committee shall;

- 9.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Group's external auditors;
- 9.6.2 ensure that, at least once every ten years, the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms. In respect of such tender, the Committee shall oversee the selection process and ensure that all tendering firms have reasonable, unbiased access as is necessary to information and individuals during the duration of the tendering process. In addition, the Committee shall ensure that the external auditor's tenure does not exceed twenty years;
- 9.6.3 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.6.4 oversee the relationship with the external auditor, including (but not limited to);
 - (a) recommendations on their remuneration, including fees for both audit and non-audit services, and that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
 - (b) approval of their terms of engagement, including any engagement letters issued at the start of each audit and the scope of the audit;
 - (c) develop and implement policy on the engagement of the auditor to supply non-audit services to ensure the avoidance of any threat to actual or perceived auditor objectivity and independence, taking account of any relevant ethical guidance on the matter;
 - (d) assessing annually their independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (e) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - (f) agreeing with the Board a policy on the employment of former employees of the Group's auditor, and monitoring the implementation of this policy;
 - (g) monitoring the auditor's compliance with the relevant ethical and professional guidance on the rotation of audit partners; the level of fees paid by the Group compared to the overall fee income of the firm, office and Partner; and other related requirements;
 - (h) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures and consideration of the firm's own transparency report, where available;

- (i) seeking to ensure co-ordination with the activities of the internal audit function; and
 - (j) 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 their auditor from the market in that evaluation.
- 9.6.5 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 9.6.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 9.6.7 review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) any significant accounting and audit judgements;
 - (c) levels of errors identified during the audit; and
 - (d) the effectiveness of the audit.
- 9.6.8 review and assess any representation letter(s) requested by the external auditor before they are signed by management;
- 9.6.9 review the Management Letter and management's response to the auditor's findings and recommendations therein; and
- 9.6.10 resolve any disagreements between management and the auditor regarding financial reporting and other matters.

9.7 Risk Oversight

The Committee shall: -

- 9.7.1 consider and review the Group's risk profile relative to the current and future Group strategy and risk appetite;
- 9.7.2 monitor risk exposures across the Group, including emerging risks, advising the Board around matters where such exposures do not appear to accord with the Group's risk appetite;
- 9.7.3 receive and challenge quarterly risk reports produced by the GCRO and similar reports produced by him/her in connection with a proposed acquisition or disposal, or other significant change event;
- 9.7.4 advise the Board on proposed changes to the Group's risk appetite where this is deemed appropriate, taking account of the current and prospective macroeconomic and financial environment;
- 9.7.5 review the Group's capability to identify and manage emerging and new risk types;
- 9.7.6 influence the approach and review the results of the regular stress and scenario testing of the Group's business and consider reports that explain the impact of identified risks and threats to the Group;

- 9.7.7 determine whether there is a sufficient balance of risk mitigation and risk taking in place;
- 9.7.8 in respect of a major strategic transaction, including any material proposed acquisition or disposal, oversee a due diligence appraisal of the proposition prior to the Board taking a decision on whether to proceed. This appraisal will be conducted with a view to ensuring that the Board is aware of all material risks associated with the proposed material transaction, in particular with regard the implications for the risk appetite and tolerance of the Company, taking independent external advice where appropriate and available;
- 9.7.9 consider the adequacy and effectiveness of the technology infrastructure and supporting documentation in the risk management system and framework;
- 9.7.10 consider and approve the remit of the risk function and ensure that it has adequate capabilities, resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards;
- 9.7.11 provide qualitative and quantitative advice to the Remuneration Committee on risk weightings to be applied to any performance objectives and assess on behalf of the Remuneration Committee the extent to which management has operated within the Group's risk appetite and operated the governance, risk and control system;
- 9.7.12 consider and review the external environment including the external financial stability assessments, non-financial risk reporting obligations, and any other authoritative sources relevant to the Group's risk exposures and risk strategy and their impact on capital, and to consider and recommend to the Board for approval, the Group's risk related regulatory submissions, including the ORSA; and
- 9.7.15 meet with the GCRO at least once a year, without management being present, to discuss their remit and any issues arising from the risk work carried out. In addition, the GCRO shall be given the right of direct access to the Chair of the Board and to the Committee.

9.8 Reporting Responsibilities

- 9.8.1 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities (including any matters on which the Board has requested the Committee's opinion) and shall also formally report to the Board on how it has discharged its responsibilities.
- 9.8.2 The Committee shall make whatever recommendations to the Board it deems to be appropriate on any areas within its remit where action or improvement is needed.
- 9.8.3 The Committee shall compile a report on its activities to be included in the Annual Report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process, 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 external and internal auditor, and all other information requirements set out in the UK Corporate Governance Code and the FRC Minimum Standard;
- 9.8.4 The Committee shall also report on how its composition requirements have been met and addressed, in the reporting period under review, including how the Committee has assessed its effectiveness. The report should also cover²:

² Where information is disclosed elsewhere in the Annual Report & Accounts it would be at the Committee's discretion to signpost this information in the Audit Committee Report.

- (a) how the composition requirements have been addressed;
- (b) how the performance evaluation of the Committee has been conducted;
- (c) the current external audit partner's name and for how long the partner has held the role;
- (d) advance notice of any plans for retendering of the external audit;
- (e) the Committee's policy for approval of non-audit services;
- (f) the audit fees for the statutory audit of the Company's consolidated financial statements and the fees paid to the external auditor and its fees in relation to other non-audit services, including the ratio of audit to non-audit work;
- (g) for each significant engagement, or category of engagements, an explanation of the services provided and why the Committee concluded that it was in the interests of the Company to purchase them from the external auditor;
- (h) an explanation of how the Committee has assessed the independence and effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function are appropriate for the business; and
- (i) the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team, including any reporting of significant findings, results or actions.

9.8.5 In compiling the reports referred to in 9.8.1 and 9.8.3, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements to be significant but should include at least those matters that have informed the Board's assessment of whether the Group is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the Annual Report & Accounts but could provide cross-reference to that information.

10. OTHER MATTERS

The Committee shall:

- 10.1 have access to sufficient resources in order to carry out its duties, including access to the Group Company Secretary for assistance as required;
- 10.2 provide itself with sufficient time to enable a full discussion on relevant issues to take place at Committee meetings and ensure that sufficient time is available for appropriate work to be completed on matters arising in meetings prior to the next diarised full Board meeting;
- 10.3 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;
- 10.4 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure & Transparency Rules; Financial Stability Board; Financial Reporting Council; Audit, Reporting & Governance Authority and any other applicable rules as appropriate;
- 10.5 oversee any investigation of activities which are within its Terms of Reference;

- 10.6 arrange for periodic reviews of its own performance and, at least once a year, review its constitution, Terms of Reference and its own effectiveness and recommend to the Board any changes that it considers necessary to be approved by it;
- 10.7 work and liaise as necessary with all other Board committees;
- 10.8 consider the clarity of its reporting and be prepared to meet investors when requested to do so;
- 10.9 seek to ensure that shareholder interests are properly protected in relation to financial reporting and internal control;
- 10.10 make appropriate arrangements for reports to be made to it on matters relevant to its work (whether as a matter of course or by exception) by or on behalf of any Audit & Risk Committees that may be operated elsewhere in the Group; and
- 10.11 oversee any change programmes that have a direct bearing upon its areas of responsibility.

11. Authority

The Board authorises the Committee:

- 11.1 to seek any information that it requires from any employee of the Group in order to perform its duties. The Committee shall have access to all records of the Group and any internal or external reports relating thereto;
- 11.2 to obtain, at the expense of Chesnara Plc, independent legal, accounting, actuarial or other professional advice on any matter that it believes it necessary to do so;
- 11.3 to call any employee to be questioned at a meeting of the Committee as and when required; and
- 11.4 to have the right to publish in the Annual Report, details of any issues that could not be resolved between the Committee and the Board.