

DEFINITIONS

annual report	The annual report and financial statements of the group
board	The board of directors of the society
chairman	The chairman of the board
committee	The audit committee of the society
director	A director of the society
governance committee	The Governance Committee of the society
remuneration committee	The Remuneration Committee of the society
group	The society and its operating subsidiaries
management	The chief executive, any executive directors and heads of departments
regulators	The Prudential Regulation Authority and Financial Conduct Authority
secretary	The Secretary of the society
society	Dentists' Provident Society Limited

MEMBERSHIP

The **committee** will comprise at least three members. The members of the **committee** will be appointed by the **board**, on the recommendation of the **governance committee** in consultation with the chairman of the **committee**.

The **committee** will be comprised of independent non-executive **directors** and at least one of whom shall have recent and relevant financial experience, as defined in the board handbook. The **committee** will consider annually whether it has access to appropriate financial expertise. The **chairman** shall not be a member of the **committee**.

Appointments of the independent non-executive **directors** to the **committee** will be for a period of up to three years which may be extended by additional three-year periods subject to the **director** remaining eligible for membership of the **committee**.

The chairman of the **committee** will be appointed by the **board** upon advice of the **governance committee**.

MEETINGS

The **committee** will meet at least four times a year and at any other time if required. Scheduled meetings of the **committee** will be held between three and four weeks before the relevant **board** meeting.

The **chairman** or the chairman of the **committee** may request that an additional meeting be held at any time. Any member of the **committee**, the chief executive, the external auditors or the internal auditors may request the chairman of the **committee** to convene a meeting at any time.

At least once a year, the **committee** will meet with the external and internal auditors without the executive **directors** and **management** present to discuss their remit and any issues arising from the audits.

Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to all attendees, no later than five working days before the date of the meeting. Supporting papers shall also be sent to all attendees at the same time.

QUORUM

The quorum for meetings will be two members. In the absence of the chairman of the **committee** or where the **committee** meets to discuss the chairman's performance, the members present will elect one of themselves to chair the meeting.

SECRETARY

The **secretary**, or their nominee, shall act as the secretary to the **committee** and ensure that the **committee** receives the information and documents in a timely manner to enable it to effectively discharge its duties.

MINUTES OF MEETINGS

The **secretary** shall minute the proceedings and decisions of all meetings, including the names of those present and in attendance.

Draft minutes of the meetings shall be circulated to all members of the **committee**. Once approved, minutes will be circulated to the **board** unless, exceptionally, it would be inappropriate to do so.

ATTENDEES

- Head of finance (mandatory)
- Head of actuarial services (mandatory)
- Internal auditors (by invitation of the **committee** or upon request)
- External auditors (by invitation of the **committee** or upon request)
- Any **director**, officer or employee of the **society** (by invitation of the **committee**)

The attendees may be collectively or individually requested to withdraw from any meeting of the **committee** if requested to do so by the chairman of the **committee**.

REPORTING

The minutes will be circulated to all **directors** as part of the **board** pack issued after the meeting unless the **committee** decides, with the approval of the **chairman**, that it would be inappropriate to do so in whole or in part.

The chairman of the **committee** will brief the **board** on the **committee's** discussions at the **board** meeting.

The **committee** shall make any recommendations it considers appropriate to the **board**, on any area within its remit where action or improvement is needed.

A description of the **committee's** responsibilities and activities during the year will be disclosed in the **annual report**. The chairman of the **committee**, or an appointed nominee, will also be available at the annual general meeting to answer questions in connection with the work of the **committee**.

AUTHORITY

The **committee's** authority extends to all relevant matters relating to the **group**.

The **committee** has authority to investigate any matters within its responsibilities and to obtain such information as it may require from any **director**, officer or employee of the **group**.

The **committee** is authorised to engage any independent advisors at the expense of the **group**, and invite them to attend meetings.

The **committee** may work and/or liaise with other **board** committees ensuring such interaction is reviewed regularly, taking into account the duties delegated to the other committees.

INDUCTION AND TRAINING

The **committee** will put in place suitable arrangements for the induction of new members of the **committee** and for the ongoing training of existing members as appropriate.

RESPONSIBILITIES OF THE COMMITTEE

Review of:

- the **group's** accounting policies
- the form and contents of any published financial information, including the **annual report**
- disclosure process and controls
- **management's** approach to internal controls
- the adequacy and scope of the external and internal audit functions
- compliance with financial regulatory and reporting requirements

Providing assurance to the **board** that control processes are complete and effective.

Providing advice to the **board** on whether the **annual report** taken as a whole is fair, balanced and understandable and provide the information necessary for the members to assess the **group's** performance.

The **committee** will also report to the **remuneration committee** any internal control or accounting issues that it believes should be taken into account when considering executive remuneration.

Reviewing reports on control issues that require **management** action.

Reviewing the group's internal controls, including:

- the adequacy of the system of internal control and how **management** ensures the effectiveness of internal control systems.
- the statements on internal control systems within the **annual report** prior to the approval by the **board**.
- discussing with the **group** chief executive and head of finance whether there are any significant weaknesses in the **group's** internal controls that could adversely affect its ability to record, process and report information or any fraud involving employees.

Monitoring the integrity and reliability of the **group's** published financial information and announcements relating to its financial performance.

Monitoring and reviewing the **group's** compliance with any tax obligations.

Reviewing the significant financial reporting judgements contained in the financial statements and approving all announcements prior to publication.

Reviewing any areas of significant judgement within the financial statements and other published financial information, including:

- any changes in the **group's** accounting policies or practices
- the application of accounting standards
- the methods used to account for significant or unusual transactions
- adjustments arising from the audit
- the appropriateness of the going concern statement made by the **board**
- the disclosures of any legal and regulatory matters
- the statement of **directors'** responsibilities.

Oversight of the relationship with the **group's** external auditors, including:

- reviewing and making recommendations to the **board**, regarding the appointment, reappointment and removal of the external auditors, and on tendering of the external audit contract from time to time
- considering and making recommendations to the **board** on the remuneration and terms of engagement of external auditors
- monitoring and discussing with the external auditors, their relationship with the **group** and the internal auditors, ensure that there are no inappropriate restrictions on the scope of their work
- regularly reviewing the policy and arrangements for the provision of non-audit services by the external auditors
- holding private discussion with the external auditors at least once a year
- reviewing the work, findings and recommendations of the external auditors and confirming that there are no material unresolved issues in relation to the **society** or the **group**
- regularly assessing the qualifications, resources and effectiveness of the external auditors
- monitoring and overseeing the external auditor's compliance with professional guidance on the rotation of the audit partners
- reviewing and assessing regularly, the independence and objectivity of external auditors and the effectiveness of the audit process, taking into account relevant regulatory and professional requirements.

Oversight of regulatory reporting, including:

- reviewing arrangements established by **management** for compliance with regulatory financial reporting and best practice requirements including the requirements and recommendations of relevant regulatory or supervisory bodies
- reviewing any letters to the **board** from the **regulators** and the associated **management** responses; and
- reviewing all reports commissioned from the **society's** auditors or another firm appointed by the **regulators** under Section 166 of the Financial Services and Markets Act 2000 and the minutes of the any meetings between the **society**, the auditors and the **regulators**, together with any other matters of significance arising with respect to returns and reports submitted to the **regulators**.

Monitoring and reviewing the effectiveness, independence and objectivity of the internal audit, including:

- approving and reviewing the appointment and removal of the internal auditors

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- reviewing the scope, nature and effectiveness of the work of the internal auditors, undertaking an annual review of the terms of engagement and reviewing their performance against the agreed objectives
- reviewing the effectiveness of the reporting lines and unrestricted access of the internal auditors to the chief executive
- approving the fees paid to the internal auditors and the internal audit objectives
- holding private discussion with the internal auditors at least once a year
- reviewing the internal audit programme and the budget
- reviewing the effectiveness of the relationship and collaboration between the internal and external auditors
- reviewing the reports from the internal auditors, including details of outstanding internal audit recommendations and comments on outstanding high priority issues
- considering the independence and objectivity of the internal audit function.

Review the **management's** response to comments from the auditors, **regulators**, or the **committee**.

Overseeing the procedures for receiving, handling and independently investigating complaints and concerns regarding accounting, internal financial controls or auditing matters (including internal, anonymous or confidential complaints and concerns from employees).

Assess the effectiveness of the **committee** by:

- conducting an annual self-assessment and report conclusions and recommendations for change to the **board**
- considering whether or not the **committee** receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.

RESPONSIBILITIES OF MANAGEMENT

Management will ensure that all information required by the **committee** to discharge its responsibilities is provided promptly. **Management** will also ensure that matters of material concern that are relevant to the **committee's** responsibilities are brought to its attention promptly.

AMENDMENTS TO TERMS OF REFERENCE

The **committee** will review its terms of reference on an annual basis and recommend any amendments to the **board**.

