

**UNIVERSITIES SUPERANNUATION SCHEME LIMITED (THE “TRUSTEE COMPANY”)  
AUDIT COMMITTEE (THE “COMMITTEE”) TERMS OF REFERENCE**

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**1 Establishment and Purpose**

The committee is established in line with the regulations and guidance of the Financial Conduct Authority, the Financial Reporting Council and the UK Corporate Governance Code by a resolution of the trustee company board (board) under article 50 of the Articles of Association of the trustee company to:

- 1.1 provide assurance to the board on all matters relating to the appropriateness and effectiveness of the trustee company’s risk management and internal control systems and those of its investment subsidiary, USS Investment Management Limited (USSIM) (together, the group); and
- 1.2 assist the board in ensuring that financial and business reporting arrangements are appropriate to achieve accurate, balanced and understandable corporate reporting.

**2 Authority**

The committee is authorised by the board to:

- 2.1 investigate any activity within its terms of reference;
- 2.2 seek any information that it requires from any group employee; all employees are directed to cooperate with any request made by the committee; and
- 2.3 obtain outside legal or independent professional advice, at the trustee company’s expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

**3 Membership**

- 3.1 The committee chairman and members are appointed by the board having received advice from the governance and nominations committee. At least one committee member should have recent and relevant financial experience and at least three members of the committee must be directors of the trustee company.
- 3.2 The most appropriate independent director with the requisite skills for the role will normally be appointed chairman. The chairman should not be the chairman of the board, a member of the policy committee or a member of the investment committee but has the right to attend meetings of those committees.
- 3.3 Membership of the committee is not fewer than four or more than six members.
- 3.4 Three committee members, including a minimum of two directors will constitute a quorum and will include a committee member with recent and relevant financial experience.

**4 Attendance & Attendees**

- 4.1 No individuals, other than committee members, are entitled to attend meetings of the committee without the approval of the chairman.
- 4.2 Committee meetings will normally be attended by the group chief executive officer (GCEO), the chief financial and resources officer, group general counsel, chief technology and change officer, head of internal audit, head of compliance and the company secretary who will record the minutes. Other staff will be invited to attend as determined by the GCEO with the agreement of the chairman.
- 4.3 The chairman of USSIM will be invited to attend meetings in which matters relevant to the investment subsidiary are to be discussed.
- 4.4 A representative(s) of the external auditors will also attend where relevant business is to be discussed.
- 4.5 The committee will meet individually in private with the external auditors and the head of internal audit, without the executive present, at its October meeting and on other occasions as required.

## 5 **Meetings**

The committee will meet at least quarterly, with meetings normally taking place in January, May, July and October each year.

## 6 **Support**

The company secretariat will be responsible for ensuring that all relevant secretarial services to the committee are provided to the required standard.

## 7 **Accountability and reporting**

Minutes of meetings will be issued to all committee members and attendees and made available to board members. The committee is accountable to the board and will provide it with the following:

- 7.1 A report following each committee meeting;
- 7.2 An annual report on the effectiveness of internal control and risk management systems; and
- 7.3 An annual report summarising committee activities for the year, for inclusion in the trustee company's annual report.

## 8 **Responsibilities and scope of authority**

Responsibilities are delegated to the committee by the board in line with its purpose. The scope and authority of each responsibility is determined by the board and defined below:

### 8.1 **The committee has the following responsibilities and, subject to point 8.3, has full delegated authority for these matters:**

- (a) Monitoring and reviewing all internal controls including the risk management structure, audit function and financial controls to ensure their effectiveness and compliance with regulatory and statutory requirements;
- (b) Approving and reviewing compliance with group-wide policies on fraud and irregularities;
- (c) Appointing, retaining or dismissing the head of internal audit;
- (d) Approving the annual internal audit programme in relation to both USS Ltd and USSIM;
- (e) Monitoring and reviewing the performance of the internal auditor and the effectiveness of arrangements, approving corrective action where necessary;
- (f) Reviewing management responses to internal audit recommendations and monitoring their implementation and impact on the group. The head of internal audit has an independent reporting line to the audit committee chairman;
- (g) Ensuring the implementation of an appropriate selection process and recommending the appointment of the external auditors for the scheme and USS Ltd to the trustee board and for USSIM to the USSIM board;
- (h) Approving the remuneration and terms of engagement for the external auditor (subject to the budgetary provision agreed by the board);
- (i) Approving the annual external audit programme;

- (j) Monitoring and reviewing the performance of the external auditor and the effectiveness of arrangements, approving corrective action where necessary and advising the board when re-appointment or removal is appropriate;
- (k) Reviewing the management letter and management's response to the auditor's findings and recommendations and monitoring their implementation and impact on the group;
- (l) Reviewing any representation letter(s) requested by the external auditor before they are signed by management;
- (m) Monitoring and reviewing the external auditor's independence and objectivity;
- (n) Approving the policy on non-audit services provided by the external auditor which ensures that their provision does not impair the external auditor's independence or objectivity;
- (o) Reviewing the integrity of and clarity of disclosure in the financial statements of the scheme, USS Ltd and USSIM and the context in which statements are made and all material information presented with the financial statements;
- (p) Reviewing accounting and reporting policies against legal requirements, regulatory requirements and best practice;
- (q) Approving the policy and procedure in which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, regulatory compliance or other matters and which allows suitable action to be taken; and
- (r) Annually reviewing the budget allocation for internal control functions against the forecasted requirements for effective delivery.

**8.2 The following decisions are reserved by the board having received recommendations from the committee:**

- (a) Approving significant changes to the established systems of internal control including financial controls and the risk management structure;
- (b) Approving any policy or procedural change that is not in line with the strategic and business plans;
- (c) Approving budgetary allocation for internal control functions;
- (d) Approving all formal announcements relating to the financial performance of the trustee company including the financial statements;
- (e) Approving significant amendments to accounting policies; and
- (f) Approving the appointment, re-appointment and removal of the external auditor.

**8.3 Any decisions taken under the delegated authority detailed in point 8.1 must be:**

- (a) in accordance with the agreed strategic and business plans;
- (b) in line with relevant regulatory and statutory requirements; and
- (c) contained within the appropriate budget.

Where the above conditions are not satisfied, the committee should discharge its responsibilities by making a recommendation to the board.