

# **Minnesota Mutual Companies, Inc.**

## **Guidelines of the Audit Committee of the Board of Directors**

### **I. Audit Committee Purpose**

The Audit Committee is appointed by the Board of Directors to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- Monitor the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance.
- Monitor the qualifications, independence and performance of the Company's independent auditors and its Internal Audit department.
- Provide an avenue of communication among the independent auditors, management, the Internal Audit department, and the Board of Directors.

The Audit Committee has the authority to conduct any investigation appropriate to fulfilling its responsibilities, and it has direct access to the independent auditors as well as anyone in the organization. The Audit Committee has the ability to retain, at the Company's expense, special legal, accounting, or other consultants or experts it deems necessary in the performance of its duties.

### **II. Audit Committee Composition and Meetings**

The Audit Committee shall be comprised of four or more directors as determined by the Board, each of whom shall be a Disinterested Director, as defined by the Company's By-Laws. Members shall not receive compensation from the Company other than fees, benefits, and expense reimbursements related to their roles as directors. All members of the Committee shall have a basic understanding of finance and accounting and be able to read and understand fundamental financial statements, and at least one member of the Committee shall have accounting or related financial management expertise.

Audit Committee members shall be appointed by the Board on recommendation of the Corporate Governance and Public Affairs Committee. If an audit committee Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances dictate. The Committee shall prepare and/or approve an agenda in advance of each meeting. The Committee shall meet privately in executive

session at least annually with the Chief Financial Officer, the Chief Audit Executive, the Chief Risk Officer, the Chief Actuary, the independent auditors, the Corporate Compliance Officer, and as a committee, to discuss matters that the Committee or any of these parties believe should be discussed.

### **III. Audit Committee Responsibilities and Duties**

#### **Review Procedures**

1. Review and reassess the adequacy of these Guidelines at least annually. Submit these Guidelines to the Board of Directors for approval.
2. Review the annual audited consolidated financial statements of Minnesota Mutual Companies prior to filing or distribution. Review should include discussion with management and independent auditors of significant issues regarding accounting principles, practices, judgments, and financial statement disclosures.
3. Be advised of events required by the Company's reportable events program.
4. In consultation with the management, the internal auditors, and the external audit firm hired to audit the financial statements (the "independent auditors") consider the integrity of the Company's financial reporting processes and controls. Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures.
5. Review significant findings communicated by the independent auditors and the Internal Audit department together with management's responses.
6. Review significant results from the audits of company subsidiaries.
7. Review with management the governance processes to oversee financial reporting, legal compliance, and risk management within company subsidiaries.
8. Review management's reports on internal controls over financial reporting filed in accordance with the NAIC Model Audit Rule.
9. During the Company's quarterly earnings call meetings, discuss with Company management any significant items, including changes to accounting principles, transactions and earnings results. The Chair of the Committee may represent the entire Audit Committee for purposes of this review.

## **Independent Auditors and the Use of Other CPAs**

10. The independent auditors are directly accountable to the Audit Committee and the Board of Directors. The Audit Committee reviews the qualifications, independence and performance of the auditors and annually recommends to the Board of Directors the re-appointment of the independent auditors or approves any discharge of auditors when circumstances warrant, or when it is desirable to do so.
11. Preapprove the fees and engagement terms for the annual independent audit, and pre-approve all other services to be provided by the independent auditors. In the event preapproval of a service is required between Audit Committee meetings, the Chair is authorized to preapprove such services and will report the preapproval granted at the Committee's next scheduled meeting.
12. Approve the scope of the annual independent audit plan, and review staffing, locations, reliance upon management and internal audit, and general audit approach.
13. Review the results of the annual audit with the independent auditors, including the matters required to be communicated to audit committees in accordance with applicable regulations and professional standards.
14. Consider the independent auditors' judgments about the quality and appropriateness of the Company's accounting principles as applied in its financial reporting.
15. Review significant results from work performed by firms other than the independent auditors related to financial reporting and legal compliance of the Company and its subsidiaries.

## **Internal Audit Department**

16. Approve the internal audit charter, and review the department's scope of activities, organizational structure, budget, staffing and qualifications.
17. Approve the annual audit plan and all major changes to the plan, and receive assurance that no unjustified restrictions or limitations have been placed upon internal audit activities.
18. Review the appointment, performance, compensation, and replacement of the Chief Audit Executive.
19. Review results of the Internal Audit department's quality assurance and improvement program, including compliance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

20. Approve any recommendation to outsource the internal audit function to an external firm prior to management's implementation of that recommendation.

### **Legal Compliance**

21. Review with the Company's General Counsel, significant legal or regulatory matters related to the Company and its subsidiaries. Review investigations of associate and advisor misconduct, the Company's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.
22. Accept the Corporate Compliance Officer's Annual report on SEC Rule 38a-1.
23. Review significant results from regulatory examinations of the Company and its subsidiaries.

### **Other Audit Committee Responsibilities**

24. Publish annual report to Members in the Company's website that describes Committee activities and conclusions reached.
25. Review reports on the Company's Code of Ethics and Business Conduct, Conflict of Interest Policy, and procedures for gathering employee concerns regarding financial and ethical matters.
26. Review annual report on senior executives' travel and business expenses and receive independent annual report on the review of their federal income tax returns.
27. Review the annual Corporate Complaint Report.
28. Review periodic reports from management on information protection and cyber security initiatives and controls.
29. Review the annual Appointed Actuary report that covers reserve compliance and reserve adequacy.
30. Review annual report on deferred acquisition costs.
31. Review periodic reports from the Chief Risk Officer on the Enterprise Risk Management program and its effectiveness, including the Company's approach to identifying, assessing, and managing risks.
32. Review and discuss with management the Company's Own Risk and Solvency Assessment (ORSA) and other applicable enterprise risk related regulatory filings.

33. Review reports from management related to Principle-Based Reserves.
34. Review reports from management regarding actuarial assumptions used in the financial statements.
35. Periodically review the Company's federal income tax accounting, reporting and compliance profile.
36. Perform any other activities consistent with these guidelines, the Company's by-laws, and governing law, as the Committee or the Board deems necessary or appropriate.
37. Receive education on significant accounting, auditing, and financial reporting subjects.
38. Maintain minutes of meetings and periodically report to the Board of Directors on significant results of Committee activities.

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