

# **NATIONAL WESTERN LIFE GROUP, INC.**

## **AUDIT COMMITTEE OF THE BOARD OF DIRECTORS**

### **CHARTER**

#### **Organization**

National Western Life Group, Inc.'s ("Company") Audit Committee ("Committee") shall consist of at least three directors, including a Chairperson. The Committee shall be composed entirely of independent directors, as defined and required by the rules and regulations of the Securities and Exchange Commission ("SEC") and The Nasdaq Stock Market, Inc. ("Nasdaq"), from the Company's Board of Directors ("Board").

No member of the Committee shall accept directly or indirectly any consulting, advisory, or other compensatory fee from the Company or any of its subsidiaries, other than directors' fees for service as a director of the corporation, including reasonable compensation for serving on the Committee and regular benefits that other directors receive. Each member of the Committee must be financially literate at the time of their appointment, which means they must be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one member of the Committee shall, in the judgment of the Board, be an Audit Committee Financial Expert in accordance with the rules and regulations of the SEC; and at least one member shall have past employment experience in finance or accounting as required by Nasdaq listing standards.

The members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. The members of the Committee may be removed, with or without cause, by a majority vote of the Board.

Unless a Chairman is elected by the full Board, the members of the Committee shall designate a Chairman by the majority vote of the full Committee membership. The Chairman shall be entitled to cast a vote to resolve any ties. The Chairman will chair all regular sessions of the Committee and set the agendas for Committee meetings.

#### **Purpose and Scope**

The Committee will assist the Board with oversight of:

1. The quality and integrity of the Company's financial statements, the audits of the financial statements, and accounting and financial reporting processes;
2. The Company's compliance with legal and regulatory requirements;
3. The independent auditor's qualifications and independence; and

4. The performance of the Company's independent auditors and any internal audit function.

Notwithstanding the foregoing, the Committee is not responsible for certifying the Company's financial statements or guaranteeing the auditor's report. The fundamental responsibility for the Company's financial statements and disclosures rests with management and the independent auditors.

### **Duties and Responsibilities**

The following functions shall be the common recurring activities of the Committee in carrying out its responsibilities outlined in the Purpose and Scope section of this Charter. These functions should serve as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purpose and scope of the Committee.

The Committee shall be given full access to the Company's Board, corporate executives, employees, independent auditors, and any internal audit group as necessary to carry out its responsibilities. While acting within the scope of its stated purpose, the Committee shall have all the authority of the Board.

The Committee, in discharging its duties, is empowered to study or investigate any matter of interest or concern that the Committee deems appropriate. As such, the Committee may, as it determines necessary to carry out its duties, engage independent legal, accounting, and other advisers without seeking Board approval.

The Company shall provide for appropriate funding, as determined by the Committee, for payment of: (i) compensation to the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company; (ii) compensation to any advisers employed by the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### **Independent Auditors**

1. The Committee shall be directly responsible for the appointment, compensation, retention, oversight, and termination of the work performed by the Company's independent auditors (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company. The independent auditors shall report directly to the Committee, and the Committee shall communicate this to the independent auditors. The

- Committee shall have the sole authority to approve all audit engagement fees and terms, as well as all significant non-audit engagements with the independent auditors.
2. The Committee shall pre-approve all permissible audit and non-audit services provided to the Company by the independent auditors. Each Committee member shall have the authority to approve permissible audit and non-audit services, and such approvals shall be presented to the full Committee at the next scheduled meeting. Requests or applications to provide services that require specific approval by the Committee shall be submitted to the Committee by both the independent auditor and the Chief Financial Officer in writing with a detailed description of the service to be performed, and must include a joint statement as to whether, in their view, the request or application is consistent with the SEC's rules on auditor independence.
  3. The following shall be prohibited non-auditing services; (i) bookkeeping or other services related to the accounting records or financial statements of the audit client; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, providing fairness opinions or preparing contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment adviser or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the Public Company Accounting Oversight Board prohibits through regulation.
  4. The Committee shall receive from the independent auditors a formal written statement delineating all relationships between the auditors and the Company, consistent with Public Company Accounting Oversight Board ("PCAOB") Rule 3526 – Communication with Audit Committees Concerning Independence. The Committee shall actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the auditor. The Committee shall take, or recommend that the Board take, appropriate action to oversee the independence of the outside auditors.

#### Legal Compliance

5. The Committee shall be responsible for establishing procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
6. The Committee shall review and approve all related-party transactions on an ongoing basis and shall review potential conflict of interest situations where appropriate.

7. The Committee shall periodically review, with the Company's counsel, any legal matter that could have a significant impact on the Company's financial statements.
8. The Committee should discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

#### Financial Reporting Process

9. In consultation with the independent auditor, management, and any internal auditors, the Committee shall review the integrity of the Company's financial reporting processes, both internal and external. The Committee should obtain and discuss with management and the independent auditor reports from management and the independent auditor regarding: (i) all critical accounting policies and practices to be used by the Company; (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management, the ramifications of the use of the alternative disclosures and treatment, and the treatment preferred by the independent auditor; (iii) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles; (iv) major issues as to the adequacy of the Company's internal controls and any specific audit steps adopted in light of material control deficiencies; and (v) any other material written communications between the independent auditor and the Company's management.
10. The Committee shall review periodically the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, on the financial statements of the Company.
11. The Committee shall review with the independent auditor: (i) any audit problems or other difficulties encountered by the auditor in the course of the audit process, including any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management; and (ii) management's responses to such matters. Without excluding other possibilities, the Committee may wish to review with the independent auditor: (i) any accounting adjustments that were noted or proposed by the auditor but were "passed" (as immaterial or otherwise); (ii) any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and (iii) any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor to the Company.

12. The Committee shall review and discuss the responsibilities, budget, and staffing of any internal audit function.

#### Documents / Reports Review

13. The Committee shall review with management and the independent auditor, prior to public dissemination, the Company's annual audited financial statements and quarterly financial statements, including the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a discussion with the independent auditors of the matters required to be discussed by PCAOB Auditing Standard No. 16.
14. With regard to the SEC Forms 10-K and 10-Q, prior to filing, the Committee, in addition to its assessment of the independent auditor's independence, shall review and discuss the audited financial statements with management, and discuss with the independent auditors the matters required to be discussed by relevant auditing standards, including the quality, not just the acceptability, of the accounting principles and underlying estimates used in the audited financial statements. The Committee shall report to the Board and to the shareholders whether, based on such reviews and discussions, it recommends to the Board that the most recent year's audited financial statements be included in the Company's SEC Form 10-K to be filed with the SEC. The Committee shall review the annual report to shareholders.
15. The Committee shall perform any functions required to be performed by it or otherwise appropriate under applicable law, rules or regulations, the Company's by-laws, and the resolutions or other directives of the Board, including review of any certification required to be reviewed in accordance with applicable law or regulations of the SEC, review of any internal auditor's annual plan, and oversight of the Company's risk management process, including enterprise risk management, and internal control system.
16. The Committee shall exercise oversight authority, and shall receive reports, of the Company's Disclosure Controls and Procedures Committee.

#### Reports

17. The Committee shall approve all Committee reports required to be included in the Company's proxy statement.
18. The Committee shall report regularly to the full Board with respect to any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's independent auditor or the performance of any internal audit function and any other matters as are relevant to the Committee's discharge of its responsibilities. The Committee shall provide

such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chairman or any other member of the Committee designated by the Committee to make such report.

19. The Committee shall maintain minutes or other records of meetings and activities of the Committee.

## **Meetings**

The Committee shall hold regular meetings, as frequently as it deems necessary to fulfill its responsibilities, but no less frequently than four times per year. The Committee may invite to its meetings any director, management of the Company, and such other persons as it deems appropriate in order to carry out its responsibilities. The Committee may also exclude from its meetings any persons it deems appropriate in order to carry out its responsibilities. Additionally, the Committee may, in its discretion, meet privately with employees, agents, officers, directors, the independent auditor, the General Counsel, the Chief Financial Officer, the Treasurer, or the Controller.

## **Qualified Legal Compliance Committee (QLCC)**

The Audit Committee shall constitute the Company's Qualified Legal Compliance Committee (QLCC). The QLCC shall have the authority and responsibility to investigate any reports it receives from the Company's Corporate Secretary (CS) or General Counsel (GC), of evidence of a violation of securities laws or a material breach of fiduciary duty by the Company, its officers, directors, employees, or agents.

The QLCC will consider promptly each report of evidence of a suspected material violation, as defined in 17 CFR 205.2, by an officer, director, employee, or agent of the Company. The QLCC will not disclose, to the extent practical and appropriate under the circumstances necessary to protect the privacy of the persons involved, the identity of anyone who submits a report or participates in an investigation. The QLCC will retain the reports for a period of seven years after receipt of the report.

The QLCC shall determine whether an investigation is necessary regarding any report of evidence of a material violation by the Company, its officers, directors, employees, or agents, and if it determines an investigation is necessary or appropriate, the QLCC shall:

- a) Notify the full Board;
- b) Initiate an investigation, which may be conducted either by the CS (or equivalent thereof), or by outside attorneys; and
- c) Retain such additional expert personnel as the QLCC deems necessary.

At the conclusion of any such investigation, the QLCC shall:

- a) Recommend, by majority vote, that the Company implement an appropriate response to evidence of a material violation; and
- b) Inform the CS and the Chief Executive Officer (or the equivalence thereof) and the Board of the results of any such investigation, and the appropriate remedial measures to be adopted.

The QLCC has the authority and responsibility, acting by majority vote, to take all appropriate action, including the authority to notify the SEC in the event that the Company fails in any material respect to implement an appropriate response that the QLCC has recommended the Company take.

Approved and Adopted by the Board of Directors of National Western Life Group, Inc. on September 28, 2015.