

## Yorkshire Building Society Audit Committee Terms of Reference

Role	The Audit Committee is a Committee of the Board of Yorkshire Building Society, from which it derives its authority. Its role is to report regularly to the Board on matters related to financial reporting, internal controls and risk management systems, Internal Audit and External Audit.
Membership	<p>The Committee will comprise of at least three independent Non Executive Directors. At least one of these shall have recent and relevant financial experience and competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the financial services sector. Membership will include at least one member of the Group Risk Committee.</p> <p>The Chair of the Board will not be a member of the Committee.</p> <p>Appointments to the Committee are made by the Board and will be for a period of up to three years, which may be extended for a maximum of two additional terms, provided the director still meets the criteria for membership of the Committee (and subject to their overall term of office on the Board).</p>
Chair	<p>The Board will appoint the Committee Chair who will be an independent Non Executive Director.</p> <p>In the absence of the Chair, or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.</p>
Secretary	The Secretary of the Committee will be the Deputy Secretary or his or her nominee.
Attendees	<p>Only members of the Committee have the right to attend Committee meetings. However the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief Internal Audit Officer and external auditor representatives may be invited to attend for all or part of any meetings and when appropriate.</p> <p>Other employees may be invited as the Committee feels appropriate and necessary.</p>
Frequency	<p>The Committee will normally meet four times per year at appropriate times in the reporting and audit cycle and otherwise as required. A timetable of meetings and scheduled items for consideration will be agreed each year.</p> <p>Meetings of the Committee will be called by the Secretary of the Committee or the Group Secretary at the request of any of its members or at the request of the external or internal auditor if they consider it necessary.</p> <p>The Secretary will ensure Committee members receive information and papers in a timely manner to enable full and proper consideration to be given to the issues.</p> <p>Draft minutes of Committee meetings will be circulated promptly to all members and attendees of the Committee. Once approved by members, the draft minutes will also be circulated to other members of the Board unless it would be inappropriate to do so and will be formally approved at the next Committee meeting.</p> <p>Outside of the formal meeting programme, the Chair, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Group's governance.</p>
Quorum	<p>The quorum necessary for the transaction of business will be:</p> <ul style="list-style-type: none"> <li>▪ Two members if the number of members who constitute the Committee is three.</li> <li>▪ Three members if the number of members who constitute the Committee is four or more.</li> </ul> <p>The quorum should include a member who has recent, relevant financial experience and competence in accounting and/or auditing.</p> <p>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.</p> <p>In the event of equal votes the Chair of the Committee shall have a casting vote.</p>
Written Resolutions	Written resolution must be undertaken in accordance with the requirements set out in the Society's Rules with written consent required from all Committee members for approval.
Mandate	<p>The Committee is authorised to:</p> <ol style="list-style-type: none"> <li>1. Seek any information it requires from any employee of the Group in order to perform its duties.</li> <li>2. Obtain, at the Group's expense, outside legal or other professional advice on any matter within its terms of reference.</li> <li>3. Call any employee to attend a meeting of the Committee as and when required.</li> <li>4. Have the right to publish in the Society's Annual Report details of any issues that cannot be resolved between the Committee and the Board.</li> </ol>
Responsibilities	The Committee will carry out the duties below for the Society and the Group as a whole, and in respect of section 5.1 for Accord Mortgages Ltd.

## 1. Duties

### *Financial reporting*

- 1.1 The Committee will monitor the integrity of the financial statements of the Society, including its annual report and accounts, half yearly financial report, annual and quarterly Pillar 3 disclosures and any other formal announcement relating to its financial performance. The Committee will approve the Pillar 3 quarterly disclosures (Q1 to Q3). This will include consideration of whether any new items in the financial statements require an update to the prospectus of any treasury issuance, reviewing significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the external auditor. The Committee will review other statements where requested by the Board, and where appropriate and when it would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules.
- 1.2 The Committee will report to the Board on whether it considers the information in the annual report and accounts and half yearly financial report presents a fair, balanced and understandable assessment of the Group's position and prospects. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Society, it shall report its views to the Board.
- 1.3 In particular, the Committee will review and challenge where necessary:
  - The consistency of, and any changes to, accounting policies both on a year on year basis and across the Society/Group;
  - The methods used to account for significant or unusual transactions where different approaches are possible;
  - Whether the Society has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
  - The clarity and completeness of disclosure in the Society's financial reports and the context in which statements are made;
  - All material information relating to the audit, accounting and risk management, including the assessment of principal risks and emerging risks, presented with the financial statements, such as the Strategic Report, the Audit Committee Report and other Corporate Governance statements; and
  - The appropriateness of the going concern and viability statement to be made by the Board.

### *Internal controls and risk management systems*

The Committee will:

- 1.4 Keep under review the adequacy and effectiveness of the Society's internal financial controls and systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- 1.5 Review and approve the statements to be included in the Annual Report concerning internal controls and risk management; and
- 1.6 Consider the level of assurance it is getting on internal control systems and risk management, including internal financial controls, and whether it is enough to help the Board in satisfying itself that they are operating effectively.

### *Internal Audit*

The Committee will:

- 1.7 Monitor and review the effectiveness of the internal audit function, including satisfying itself that the quality, experience, expertise and budget of the function is appropriate for the Group.
- 1.8 Appoint and remove the Chief Internal Audit Officer.
- 1.9 Consider and approve the remit of Internal Audit, as documented in its Charter.
- 1.10 Ensure the internal audit function has unrestricted scope, adequate standing and is free from management or other restrictions, has adequate resources and appropriate access to information to enable it to perform its function effectively and that the function is equipped to perform in accordance with relevant professional standards.
- 1.11 Review and approve the internal audit plan. The Committee will ensure that the plan is aligned to the Group's key strategic objectives and risks. The Committee will approve any material changes to the plan as well as approving the frequency and method of audit cycle coverage and appropriateness of areas excluded from the plan.
- 1.12 Review reports addressed to the Committee from Internal Audit, including an annual report on conclusions on whether the organisation's risk appetite framework is being adhered to.
- 1.13 Review and monitor management's response to the findings and recommendations of Internal Audit.

- 1.14 Review a report containing the results of internal audit quality assurance assessments at least annually.
- 1.15 Meet the Chief Internal Audit Officer at least once a year, without management being present, to discuss their remit and any issues arising from reviews performed. In addition, the Chief Internal Audit Officer shall be given the right of direct access to the Chair of the Board and to the Committee.
- 1.16 Commission an independent, third party review of internal audit effectiveness and processes at least every five years.

*External Audit*

The Committee will:

- 1.17 Consider and make recommendations to the Board, to be put to members for approval at the AGM, in relation to the appointment, re-appointment and removal of the Society's External Auditor. The Committee will oversee the selection process for a new auditor in accordance with applicable Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process and if an auditor resigns the Committee will investigate the issues leading to this and decide whether any action is required.
- 1.18 Oversee the relationship with the external auditor including (but not limited to):
  - approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - assessing annually their independence and objectivity taking into account relevant law, professional and regulatory requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and safeguards applied to mitigate those, including the provision of any non-audit services;
  - 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;
  - agreeing with the Board a policy on the employment of former employees of the Group's auditor, taking into account the Ethical Standard and legal requirements then monitoring the implementation of this policy;
  - monitoring the auditor's compliance with relevant ethical and professional guidance and regulatory requirements including the rotation of audit partner and senior staff, the level of audit fees and non audit fees paid by the Group ;
  - assessing annually the qualifications, expertise and resources and independence 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;
  - seeking to ensure co-ordination with the activities of the internal audit function;
  - evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.
- 1.19 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 will 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.
- 1.20 Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, including planned levels of materiality and resourcing having regard to the seniority, expertise and experience of the audit team.
- 1.21 Review the findings of the audit with the external auditor. This will include but not be limited to, the following:
  - a discussion of any major issues which arose during the audit;
  - the auditor's explanation of how the risks to audit quality were addressed;
  - any accounting and audit judgements;
  - levels of errors identified during the audit;
  - the auditor's view of their interactions with senior management;
  - the effectiveness of the audit including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

The Committee will also:

- 1.22 Review any representation letter(s) requested by the external auditor before they are signed by management.
- 1.23 Review the management letter (controls report) and management's response to the auditor's findings

and recommendations.

1.24 Develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter, including prior approval of non-audit services by the Committee and specifying the types of non-audit service to be preapproved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:

- threats to the independence and objectivity of the external auditor and any safeguards in place
- the nature of the non-audit services
- whether the external audit firm is the most suitable supplier of the non-audit service
- the fees for the non-audit services, both individually and in aggregate, relative to the audit fee
- the criteria governing compensation.

1.25 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 of the incumbent auditor with those of other firms. The Committee will oversee the selection process arising out of the tender.

#### *Whistleblowing*

1.26 Review and maintain ongoing oversight of specific issues relating to the Group's arrangements for its employees and contractors to raise concerns in confidence, including whistleblowing, where delegated by the Board.

#### *Environmental, Social and Governance*

1.27 Review the content and approve, upon the recommendation of the Group's Environmental, Social and Governance (ESG) Committee, the Group's annual ESG report and mandatory environmental disclosures.

### **2. Reporting responsibilities**

The Committee shall:

- 2.1 Report formally to the Board through the Committee Chair on its proceedings after each meeting in respect of all matters within its duties and responsibilities and on other issues on which the Board has requested the Committee's opinion.
- 2.2 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 2.3 Report to the Board on how it has discharged its responsibilities which will be included in the Society's Annual Report. This report will specifically cover: significant issues that the Committee considered in relation to the financial statements and how these issues were addressed; the matters discussed in relation to the systems of internal controls; an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment of or reappointment of the external auditor; information on the length of tenure of the current audit firm and when a tender was last conducted; and if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded.
- 2.4 The Committee shall compile a report on its activities to be included in the Society's Annual Report. The report should describe the work of the Committee, including significant issues that the Committee considered in relation to the financial statements and how these issues were addressed; an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment of or reappointment of the external auditor; information on the length of tenure of the current audit firm and when a tender was last conducted and advance notice of any retendering plans; and if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.

### **3. Other Matters**

The Committee will:

- 3.1 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 and Transparency Rules and any other applicable Rules, as appropriate. This will include having regard to the various matters set out in Section 172 of the Companies Act 2006 in promoting the success of the Society where relevant.

	<p>3.2 Annually arrange for reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.</p> <p>3.3 The Committee shall make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.</p> <p>3.4 Have access to sufficient resources in order to carry out its duties, including access to the Group secretariat for assistance as required.</p> <p>3.5 The Committee shall ensure that all new members receive an induction tailored to their requirements on joining the Committee.</p> <p>3.6 Be provided with appropriate and timely training, for all members.</p> <p>3.7 Be responsible for co-ordination of the internal and external auditors.</p> <p>3.8 Oversee any investigation of activities which are within its terms of reference.</p> <p><b>4. Annual General Meeting</b></p> <p>4.1 The Committee Chair will attend the annual general meeting to answer member questions on the Committee's activities.</p> <p><b>5. Senior Managers Regime Prescribed Responsibilities</b></p> <p>5.1 The Committee shall assist the Senior Management Function (SMF) holder in the escalation of their Prescribed Responsibilities for the Committee in relation to:</p> <ul style="list-style-type: none"> <li>▪ Prescribed Responsibility j - SMF Holder: Chair of Audit Committee Responsibility for a) safeguarding the independence of, and b) oversight of the performance of the internal audit function, in accordance with SYSC 6.2 (Internal Audit).</li> </ul>
Sub Committees	None
Date of Approval	13 December 2023 (Board)