

1.	<b>Authority &amp; Purpose</b>	<ul style="list-style-type: none"> <li>• The Board has established a committee to be known as the <b>Audit Committee (AC)</b> to assist it in fulfilling its oversight responsibilities for the following: <ul style="list-style-type: none"> <li>○ monitoring the integrity of interim and annual financial statements and formal announcements relating to financial performance, including Summary Financial Statements, focusing particularly on significant financial reporting judgments and ensuring the financial statements overall are fair, balanced and understandable and that the interests of the Society’s members are properly protected;</li> <li>○ reviewing the effectiveness of systems of internal controls and the risk management systems and ensuring that the interests of the Society’s members are properly protected;</li> <li>○ scrutinising the activities and performance of the Internal Audit function;</li> <li>○ monitoring the independence and objectivity of the External Auditor and the effectiveness of the audit process;</li> <li>○ recommending the appointment and approving the remuneration and terms of engagement of the External Auditors; and</li> <li>○ overseeing the Society’s whistleblowing arrangements.</li> </ul> </li> <li>• The AC reports directly to the Board.</li> <li>• The AC is authorised by the Board to: <ul style="list-style-type: none"> <li>○ carry out the duties as outlined in the Terms of Reference providing robust oversight and challenge to the Society’s risk and control</li> <li>○ seek any information it requires from any employee of the Society in order to perform its duties, including any investigations required</li> <li>○ obtain external expertise, advice and support on any risk and control issue if considered necessary.</li> </ul> </li> </ul>
2.	<b>Chair</b>	<ul style="list-style-type: none"> <li>• The Chair of the AC will be a Non-Executive Director (NED), (who must not be the Society’s Chair) appointed by the Board following consideration and recommendation to the Board by the Nomination and Governance Committee.</li> <li>• If the Chair is absent a NED will be nominated by agreement between the members and will chair the meeting.</li> </ul>
3.	<b>Members</b>	<ul style="list-style-type: none"> <li>• Members of the AC shall be appointed by the Board following consideration and recommendation by the Nomination and Governance Committee.</li> <li>• The Committee will comprise at least two further NEDs in addition to the Chair.</li> <li>• The Chair of the Board should not be a member of the AC.</li> <li>• The maximum term for AC membership is 6 years.</li> </ul>

		<ul style="list-style-type: none"> <li>At least one member should have recent and relevant financial experience.</li> <li>Each member is appointed annually at the Board meeting following re-election at the Annual General Meeting.</li> </ul>
4.	<b>Standing Attendees</b>	<ul style="list-style-type: none"> <li>The Executive Directors</li> <li>The Head of Internal Audit</li> <li>The Chief Risk Officer</li> <li>A representative of the Society’s External Auditors should attend all meetings, but will not normally attend that part of any meeting where matters relating to the appointment, remuneration, effectiveness or dismissal of the External Auditors are discussed.</li> </ul>
5.	<b>Additional Invitees</b>	<ul style="list-style-type: none"> <li>Any Non-Executive Director may attend a Meeting without invitation (and where possible will give notice of their intention to do so to facilitate them receiving the AC papers in advance).</li> <li>The Committee may require any individual(s) to attend a Meeting, such as other members of the Senior Management Team, Risk, Compliance and External Audit.</li> <li>Specialists may be requested to attend for specific items to provide advice and support or make presentations.</li> </ul>
6.	<b>Quorum</b>	<ul style="list-style-type: none"> <li>For a meeting to be quorate a minimum of 2 AC Members must be present.</li> </ul>
7.	<b>Meeting Frequency</b>	<ul style="list-style-type: none"> <li>The AC will meet as a minimum four times per year with a further meeting in connection with the Society’s Annual Report and Accounts.</li> <li>The Chair of the AC may convene additional meetings of the Committee as required.</li> </ul>
8.	<b>Secretary &amp; Secretarial Functions</b>	<ul style="list-style-type: none"> <li>The Society’s Secretary (or their nominee) will be the Secretary of the Committee.</li> </ul>
9.	<b>The Committee receives its Authority from</b>	<ul style="list-style-type: none"> <li>The AC is a committee of the Board without executive powers.</li> <li>It is authorised by the Board to investigate any activity within its terms of reference and seek any information that it requires from any employee of the Society or its subsidiaries.</li> <li>All employees are directed to cooperate with any request made by the AC.</li> </ul>
10.	<b>Scope of this Committee’s Oversight &amp; Responsibility</b>	<ul style="list-style-type: none"> <li>The duties of the AC are categorised as follows: <ul style="list-style-type: none"> <li><b>a) Financial Reporting</b> <ul style="list-style-type: none"> <li>To <u>review</u> and <u>challenge</u> where necessary, critical accounting policies, any changes to them and any significant estimates and</li> </ul> </li> </ul> </li> </ul>

		<p>judgements, made by management in connection with the preparation of the Society’s Annual Report and Accounts and Annual Review Booklet before <u>submission</u> to and <u>approval by</u> the Board and before clearance by the External Auditors.</p> <ul style="list-style-type: none"> <li>○ To <u>review</u> and <u>challenge</u> where necessary, the clarity and completeness of disclosures to be made in the Annual Report and Accounts and Annual Review Booklet and to <u>report</u> to the Board on these, and the internal control, risk management and the viability statement.</li> <li>○ To <u>review</u> the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable to <u>inform</u> the board’s statement on these matters required under the UK Corporate Governance Code.</li> </ul> <p><b>b) Internal Control and Risk Management</b></p> <ul style="list-style-type: none"> <li>○ To <u>satisfy</u> the Board on the scope and effectiveness of the control, risk management and governance frameworks established by management and the second line of defence and with reference to the Combined Assurance Plan, to <u>identify, assess, manage and monitor</u> financial and non financial risks in relation to its existing and future business and related capital requirements.</li> <li>○ To <u>satisfy</u> the Board that weaknesses in control are being corrected.</li> <li>○ To <u>review</u> the adequacy of management information and other reports made available to the Board.</li> <li>○ To <u>review</u> the statement in the Annual Report and Accounts on the Society’s internal controls and risk management framework.</li> </ul> <p><b>c) External Audit</b></p> <ul style="list-style-type: none"> <li>○ To <u>assess</u> the external audit function.</li> <li>○ To <u>evaluate</u> the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor’s communications with the audit committee.</li> <li>○ To <u>recommend</u> to the Board annually the re-appointment, or in the event of a vacancy, the appointment, remuneration and terms of engagement of External Auditors. This is to be done after: <ul style="list-style-type: none"> <li>▪ formally reviewing their qualifications, skills, experience, resources, independence and effectiveness of the audit process.</li> <li>▪ assessing the audit firm’s own internal quality control procedures and having given due consideration to their annual transparency reports (where available).</li> </ul> </li> </ul>
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		<ul style="list-style-type: none"> <li>▪ The way the AC has discharged its responsibilities.</li> <li>○ To <u>review</u> the Society’s Whistleblowing arrangements and proportionate/independent investigations of such matters and appropriate follow up action.</li> <li>○ The Chair of the AC will <u>maintain contact</u> on a continuing basis with key people involved in the Society’s governance, including the Board Chair, the Board Risk Committee Chair, Board Customer Innovation &amp; Technology Committee Chair, Chief Executive, Finance Director &amp; Secretary, Head of Internal Audit, Chief Risk Officer and Group Compliance Manager.</li> <li>○ The Chair of the AC <u>will attend</u> the Society’s Annual General Meeting to answer any questions raised during the meeting.</li> <li>○ The Chair of the AC is <u>responsible for ensuring</u> that members of the AC continually update their skills and knowledge and familiarity with the Society, to enable them to fulfil their role on the AC.</li> </ul>
11.	<b>Reporting and Escalation</b>	<ul style="list-style-type: none"> <li>• The AC will report to the Board by way of a written report following each Committee meeting. The written report will append the committee minutes.</li> <li>• The report to the Board will be delivered by the Chair of the AC, assisted by the Head of Internal Audit, and will focus on the Society’s key risks and the effectiveness of their key controls.</li> <li>• The Chair of the AC may provide a verbal update report for any events subsequent to the AC meeting.</li> </ul>
12.	<b>Authority Delegated by this Committee</b>	
13.	<b>Administration</b>	<ul style="list-style-type: none"> <li>• Meetings of the Committee shall be scheduled annually in advance.</li> <li>• Meetings will take place at least 10 working days before the Board meeting that it is to report to.</li> <li>• An agenda of items to be discussed and supporting papers shall be forwarded to each member of the Committee, no later than five working days before the date of the meeting.</li> </ul>
14.	<b>Head of Internal Audit Private Meeting with Members</b>	<ul style="list-style-type: none"> <li>• The members will meet with the Head of Internal Audit, in the absence of the Executive Directors, at every AC meeting.</li> </ul>
15.	<b>Member Training</b>	<ul style="list-style-type: none"> <li>• Members shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.</li> </ul>
16.	<b>Effectiveness</b>	<ul style="list-style-type: none"> <li>• At least annually, carry out a review of its performance and its Terms of</li> </ul>

	<b>Review</b>	Reference to ensure it is operating effectively and recommend any changes to the Nomination and Governance Committee and the Board for consideration and approval.
17.	<b>Minutes</b>	<ul style="list-style-type: none"> <li>Minutes of Committee meetings will be submitted For Noting to the Board following each meeting where relevant.</li> </ul>
18.	<b>ToR Last Approved on</b>	<ul style="list-style-type: none"> <li>19 November 2019</li> </ul>