



OSB GROUP PLC (the “Company”)

Group Audit Committee (the “Committee”)

Terms of Reference

Approved by the Board of Directors of OSB Group plc (the “**Board**”) on 29 April 2025, to take effect from 1 May 2025.

1. PURPOSE

- 1.1. The purpose of the Committee is to assist the Board in overseeing, monitoring the effectiveness of the systems of internal control and external financial reporting processes across the Company and its subsidiaries (together the “Group”). The Committee performs this role by reviewing and monitoring:
 - 1.1.1. the effectiveness and independence of the external and internal audit process by following the guidelines set out in the Audit Committees and the External Audit: Minimum Standard (the “**Standard**”);
 - 1.1.2. the effectiveness of compliance assurance arrangements; the effectiveness of fraud prevention and whistleblowing procedures to minimise potential for fraud and financial impropriety; and
 - 1.1.3. the integrity of the financial statements, Annual Report and Accounts, interim report and accounts, related internal control disclosures and any other publicly available financial information (including Pillar 3 disclosures).
- 1.2. The Committee’s responsibilities in relation to subsidiaries that are required to establish audit committees are set out in clause 4.9 of these Terms of Reference.

2. AUTHORITY

- 2.1. This Committee is a committee of the Board from which it derives its authority and to which it regularly reports¹.
- 2.2. The Committee may sub-delegate all or any of its responsibilities as it sees fit, including delegating authority to the Chair or any other member.
- 2.3. The Committee is concerned with the business of the Group within the scope of its Terms of Reference and has the authority to obtain such information as it may require from any Director, officer or employee of the Group.
- 2.4. If the Board has not accepted the Committee’s recommendation on the external auditor appointment, re-appointment or removal, the Annual Report and Accounts should include a statement explaining the Committee’s recommendation and the reasons why the Board has taken a different position.

3. CONSTITUTION

3.1. Members

- 3.1.1. The Committee shall comprise of at least three members, all of whom shall be Independent Non-Executive Directors². At least one member shall have significant, recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- 3.1.2. The Chair of the Board shall not be a member of the Committee.
- 3.1.3. Membership shall include at least one member of the Group Risk Committee.
- 3.1.4. Members of the Committee shall be appointed by the Board upon the recommendation of the Group Nomination and Governance Committee and in consultation with the Committee Chair.

¹ The Committee has delegated authority from the Board to undertake the role and responsibilities prescribed in these terms of reference.

² Independent Non-Executive Director (“INED”) has the meaning set out in section 4 of the Group Corporate Governance Framework.

- 3.1.5. Appointments to the Committee shall be for a period of up to three years, which at the discretion of the Group Nomination and Governance Committee, may be extended by no more than two additional three-year periods.

3.2. **Chair**

- 3.2.1. The Board shall appoint the Chair of the Committee on the recommendation of the Group Nomination and Governance Committee who shall be an Independent Non-Executive Director.
- 3.2.2. In the absence of the Committee Chair, or in situations where the Committee Chair is precluded from chairing a meeting due to a conflict of interest, the remaining members present shall elect one of themselves to chair the meeting.

3.3. **Attendees**

- 3.3.1. Only members of the Committee have the right to attend Committee meetings, but the other Directors are entitled to observe any meetings at their discretion.
- 3.3.2. In addition to the members of the Committee, other attendees may be invited to the proceedings, and any member of the Committee may ask the Chair to invite specific individuals to attend a meeting. However, the Group Chief Risk Officer, Group Chief Financial Officer, Group Chief Internal Auditor, Chief Compliance Officer and External Auditor are expected to attend meetings on a regular basis.
- 3.3.3. The Committee Chair retains the discretion to invite any other individual to attend for all or part of any meeting as a presenter or observe (subject to any conflicts of interest).

4. RESPONSIBILITIES

The Committee should provide oversight, challenge and assist the Board in overseeing, monitoring the effectiveness of the systems of internal control and external financial reporting processes across the Group.

4.1. **Financial control and risk management**

- 4.1.1. Keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems and at least annually carry out a review of their effectiveness and approve the statement to be included in the Annual Report and Accounts concerning internal financial controls.
- 4.1.2. Review assurance reports from internal audit, the external auditor and others on the operational effectiveness of matters related to risk and control and review the timeliness and effectiveness of corrective action taken by management in response to any material external or internal audit recommendation.
- 4.1.3. Review and endorse the statements to be included in the Annual Report and Accounts concerning internal controls, risk management and the viability statement, prior to approval by the Board.
- 4.1.4. Evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee.

4.2. **Compliance and Fraud**

- 4.2.1. Review and approve the Group's procedures for detecting financial crime including conduct risk and other related activities.
- 4.2.2. Review and approve the Group's systems and controls for the prevention of financial crime and receive reports on non-compliance.
- 4.2.3. Review and approve the Group Financial Crime Policy.
- 4.2.4. Review and approve the Group Loan Impairment Provisioning Policy.
- 4.2.5. Review and approve the Group Compliance Assurance Plan, at least annually.

- 4.2.6. Review regular reports from the Money Laundering Reporting Officer and review the adequacy and effectiveness of the Group's anti-money laundering systems and controls.
- 4.2.7. Review at least annually a report from the Chief Compliance Officer and keep under review the adequacy and effectiveness of the Group's compliance assurance function.

4.3. **Whistleblowing**

- 4.3.1. Review and receive regular whistleblowing reports from the Chief Compliance Officer.
- 4.3.2. Review and approve the Group Whistleblowing Policy on an annual basis.
- 4.3.3. Ensure management produce to the Board an annual whistleblowing review the Board on the operation and effectiveness of the Group's systems and controls in relation to whistleblowing.
- 4.3.4. Review and approve the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters as required by legislation and regulatory guidance.
- 4.3.5. Review and oversee the Group's whistleblowing procedures for the Group's employees and contractors including the procedures for protection from detrimental treatment of staff who raise concerns.
- 4.3.6. Ensure that the arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

4.4. **Tax**

Review and approve the Group Tax Strategy.

4.5. **Financial Reporting**

The Committee shall:

- 4.5.1. Monitor the integrity of the financial statements of the Group, including its annual and half-yearly reports, trading update, Pillar 3 disclosures, and any other formal announcement relating to its financial performance.
- 4.5.2. Review and report to the Board on significant financial reporting issues and judgements which they contain having regard to the matters communicated to it by the auditor.
- 4.5.3. Invite challenge by the external auditor, giving due consideration to points raised and make changes to financial statements in response, where appropriate.
- 4.5.4. Review and challenge where appropriate, and report to the Board on:
 - 4.5.5. the consistency, quality and appropriateness of significant accounting policies both on a year-on-year basis and across the Group;
 - 4.5.6. the methods used to account for significant or unusual transactions where different approaches are possible;
 - 4.5.7. whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 4.5.8. the clarity and completeness of disclosures in the Group's financial reports and the context in which statements are made;
 - 4.5.9. the assumptions or qualifications in support of the going concern statement and the longer term viability statement;
 - 4.5.10. significant adjustments resulting from the external audit;
 - 4.5.11. all material information presented with the financial statements, such as the Strategic Report, task force on climate-related financial disclosures ("TCFD") and the corporate governance statements relating to the audit and to risk management; and

4.5.12. any aspect of the proposed financial reporting by the Group where the Committee is not satisfied.

4.6. **Accounting Policy**

Review and recommend any significant changes of accounting policy to the Board for approval.

4.7. **Internal Audit**

4.7.1. Group Chief Internal Auditor

- i. Review and approve the appointment, or removal, of the Group Chief Internal Auditor, or the relevant outsourcing partner if the Committee determines that the Internal Audit function should be outsourced.
- ii. In line with Internal Audit Code of Practice, the Committee shall undertake an assessment on the independence and objectivity of the Group Chief Internal Auditor, on a periodic basis, in line with the with the Chartered Institute of Internal Auditor guidance and best practice recommendations to satisfy themselves that the Group Chief Internal Auditor remains independent.

4.7.2. Mandate of internal audit

- i. Review and approve the role and mandate of internal audit at least annually.
- ii. Monitor and review the effectiveness of internal audits work
- iii. Approve annually the Internal Audit Charter ensuring it is appropriate for the current needs of the Group.
- iv. Ensure that internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate and in accordance with the Global Internal Audit Standards ("GIAS Standards"), as published by the Institute of Internal Auditors.
- v. Ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan and ensure that the internal audit function is equipped to perform in accordance with the GIAS.

4.7.3. Audit Plan

- i. Review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and any material changes to the internal audit plan.
- ii. Receive regular reports on the work undertaken against the annual internal audit plan.

4.7.4. Effectiveness of Internal Audit

- i. Carry out an annual assessment of the effectiveness of the Internal Audit function and as part of this assessment:
 - a) meet with the Group Chief Internal Auditor at least once a year, without the presence of management, to discuss the effectiveness of the function;
 - b) review and assess the annual internal audit work plan;
 - c) receive a report on the results of the internal auditor's work on a periodic basis;
 - d) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - e) review actions taken by management to implement the recommendations of internal audit and to support the effective working of the Internal Audit function.
- ii. Monitor and assess the role and effectiveness of the Internal Audit function in the overall context of the Group's risk management system and the work of compliance, finance and the external auditor.
- iii. Obtain an independent and objective external quality assessment of the Group Internal Audit function, at least once every five years, as set out set in the International Professional Practices Framework for internal audit.

4.8. External Audit

4.8.1. Audit Tender

- i. 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 provided by the incumbent auditor with those of other audit firms.
- ii. Develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have such access as is necessary to information and individuals, during the tendering process
- iii. All tenders, including the non-Big Four firms, shall be given fair and objective consideration.

4.8.2. Appointment of External Auditor

- i. Consider and make recommendations to the Board, while being mindful of not precluding Challenger firms (within the meaning given in the FRC's Audit Committees and the External Audit: Minimum Standard), to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor.

4.8.3. Resignation of External Auditor

- i. If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.

4.8.4. Remuneration and Engagement

- i. Oversee the relationship with the external auditor including (but not limited to):
 - a) approve their remuneration, including both fees for audit and , non-audit services in line with the Group Non Audit Services policy, and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted; and
 - b) approve their terms of engagement and scope of audit, including any engagement letter issued at the start of each audit.
- ii. Monitor the level of fees paid by the Group to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements including ethical guidance.

4.8.5. Independence of External Auditor

- i. Assess annually the qualifications, expertise, resources and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.
- ii. Assess annually the external auditor's independence and objectivity, taking into account relevant UK law, regulations, Ethical Standard, other professional requirements and the Group's relationship with the auditor as a whole. This includes any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.
- iii. Monitor the external auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the Ethical Standard, including guidance on the rotation of audit partner and staff.
 - a) Satisfy itself that there are no relationships between the auditor and the Group (other than in the ordinary course of business), including the provision of any non-audit services, which could adversely affect the auditor's independence and objectivity.

4.8.6. Planning and Coordination

- i. Seek to ensure co-ordination of the external audit with the activities of the Internal Audit function.

- ii. Meet with the external auditor at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.
- iii. Meet regularly with the external auditor at the planning stage before the audit and after the audit at the reporting stage.

4.8.7. External Audit Plan

- i. Review and approve the annual audit plan ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- ii. Where appropriate, engage with shareholders on the scope of the external audit.
- iii. Discuss with the external auditor the factors that could affect its audit quality.
- iv. Discuss with the external auditor the network level controls the firm relied on to identify and address any risks to audit quality and enquire about the findings of any internal/external inspections of their firm.
- v. Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
 - a) the auditor's explanation of how the risks to audit quality were identified and addressed;
 - b) whether the auditor has met the agreed audit plan and understand the reasons for any changes;
 - c) the auditor's feedback of their interaction with senior management;
 - d) content of the external auditor management letter(s), other communications, to assess whether it based on a good understanding of company's business and establish whether the recommendations have been acted upon and, if not, the reasons why they have not been acted upon;
 - e) any representation letter(s) requested by the external auditor before they are signed by management;
 - f) discussion of any major issues which arose during the audit;
 - g) levels of errors identified during the audit; and
 - h) the effectiveness of the audit process including an assessment of the quality of the audit, the handling of key accounting and audit judgements by the auditor and the auditor's response to questions from the Committee.
- vi. The Committee should also obtain evidence of the effectiveness of the external audit and the auditor from those impacted by the audit/auditor. The following approaches may be suitable, and should be documented if used:
 - a) Evidence of occasions where the auditor has challenged management and the result of those challenges.
 - b) How the auditor has responded to its previous assessments of the audit quality and whether any concerns expressed by the Audit Committee have been addressed satisfactorily.
 - c) The auditor's own assessments of the quality of the audit, and its quality assurance systems more broadly.
 - d) Engagement level Audit Quality Indicators agreed with the Audit Committee against which the auditor will report on a regular basis.
 - e) If the company's audit has been subject to a review by the FRC, the auditor's response to the findings and details of any action it plans to take in response.
 - f) Tailored surveys of a sample of those subject to audit to gain their perspective.
 - g) Feedback from external sources including investors.

4.8.8. Non-Audit Services

- i. Review and approve the Group non-audit services policy on the provision of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements to avoid any threat to auditor objectivity and independence, taking into account applicable laws, regulations and ethical guidance and report to the Board on any improvement or action required. The policy should include consideration on the following matters:
 - a) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - b) the nature of the non-audit services;
 - c) whether the external audit firm is the most suitable supplier of the non-audit service;
 - d) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee;
 - e) the criteria governing compensation; and
 - f) the employment of any former employees of the external auditor, taking into account the Ethical Standard and legal requirements.

4.8.9. Keep under review the Group's non-audit relationships with audit firms to ensure that it has a fair choice of suitable auditors at the next external audit tender in accordance with relevant legislation.

4.9. **Audit Committees of relevant subsidiaries**

4.9.1. Oversight

To review the composition, powers and responsibilities of subsidiary committees with responsibility for oversight of audit within the Group.

4.9.2. Terms of Reference

To review core terms of reference for adoption by subsidiary audit committees and approve material deviations.

4.9.3. Collaboration

To liaise as necessary with the Group's subsidiaries, that are required to establish audit committees, and set clear expectations. In exercising its responsibilities, the Committee will have the right to request, but not direct, subsidiary audit committees to take action or provide information and documentation from time to time such as it shall determine. This may include the following:

- a) receiving copies of the minutes from each subsidiary audit committee;
- b) receiving an update on the emerging risks of a subsidiary company;
- c) encouraging information sharing and best practice to be adopted; and
- d) encouraging interaction with the Committee and between the Chairs of subsidiary audit committees.

4.10. **Environmental, Social and Governance ("ESG") Reporting**

Review and advise the Board on the Group's ESG reporting metrics, including Climate-Related Financial Disclosures.

5. **MEETING PROCEEDINGS**

5.1. Quorum

- 5.1.1. The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the Committee at which the quorum is present can exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

- 5.1.2. Meetings of the Committee may be held by telephone or by any other means whereby the participants are able to communicate effectively with each other.

5.2. **Secretary**

The Committee Secretary shall be a member of Group Governance Office as agreed with the Committee Chair.

5.3. **Minutes**

- 5.3.1 The Committee Secretary shall minute the proceedings of Committee meetings, which shall be circulated promptly to all members of the Committee, once agreed by the Committee Chair (subject to any actual or potential conflicts of interest restricting such circulation).

5.4. **Notice and frequency of meetings**

- 5.4.1. The Committee shall meet at least four times a year at appropriate times as determined by the Committee Chair and otherwise as required. Meetings of the Committee and the OneSavings Bank plc and Charter Court Financial Services Limited Audit Committees may be held concurrently where it is considered appropriate to do so.

- 5.4.2. Meetings of the Committee shall be convened by the Committee Secretary at the request of the Committee Chair, any of the Committee's members, or at the request of the external audit lead partner or Group Chief Internal Auditor if they consider it necessary.

- 5.4.3. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and, as appropriate, any other person required to attend, not later than five business days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. **ADVICE**

The Committee is authorised to obtain any information it requires from any employee of the Group in order to perform its duties and, at the Company's expense, obtain external legal or other professional advice on any matter within its Terms of Reference. The Committee is also authorised to select and set out the terms of appointment for any external advisers to the Committee.

7. **GENERAL MATTERS**

The Committee shall:

- 7.1. have access to sufficient resources to carry out its duties, including access to external advisers and Corporate Governance Office for assistance as required, and shall ensure the proper involvement of such functions as are necessary to ensure that the Committee is appropriately advised.
- 7.2. 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;
- 7.3. Give due consideration to relevant legislation, regulation, best practice guidance, industry practice and development trends affecting issues within the Committee's remit.
- 7.4. Oversee any investigation of activities which are within its Terms of Reference.
- 7.5. Ensure a periodic evaluation of the Committee's own performance is carried out.
- 7.6. Promote the success of the Group for the benefits of its shareholders, whilst having due regard to its wider stakeholder group (including employees, regulators, communities, customers and suppliers) as set out in the Companies Act 2006. During its deliberations, the Committee shall consider the long-term consequences of its decisions, and the need to act to deliver good customer outcomes, foster good relationships, demonstrate acts of fairness, maintain a reputation of high standards of business conduct and mindfulness of environmental impacts.

- 7.7. Work and liaise as necessary with all committees of the Board. Where there is a perceived overlap of responsibilities, the respective committee chairs shall have the discretion to determine the most appropriate committee to fulfil the obligation.

8. REPORTING RESPONSIBILITIES

- 8.1. The Committee Chair (or their elected nominee) shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
- 8.1.1. the significant issues and judgements that the Committee considered in relation to the financial statements and how these were addressed;
 - 8.1.2. its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 8.1.3. any other activities it has undertaken to meet the requirements of the Standard; and
 - 8.1.4. any other issues on which the Board has requested the Committee's opinion.
- 8.2. The Committee should review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy and whether it informs the Board's statement in the Annual Report and Accounts on these matters that is required under the UK Corporate Governance Code (the "**Code**") (Provision 25);
- 8.3. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.4. The Committee shall compile a report on its activities to be included in the Company's Annual Report and Accounts. The report shall be drawn up in accordance with the requirements set of in the Standard and shall include:
- 8.4.1. the significant issues that the Committee considered in relation to the financial statements and how these were addressed;
 - 8.4.2. an explanation of the application of the Group's accounting policies;
 - 8.4.3. an explanation of how the Committee has assessed the independence, objectivity and effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, information on the length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 8.4.4. details of any tender process in respect of external audit services carried out in the year;
 - 8.4.5. details of any Audit Quality Review inspection relation to the Group carried out in the year;
 - 8.4.6. an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to the Committee by the auditor and all other information requirements set out in the Code;
 - 8.4.7. in the event of the Board not accepting the Committee's recommendation on the external auditor's appointment, reappointment or removal, a statement from the Committee explaining its recommendation and reasons why the Board has taken a different position;
 - 8.4.8. all other information requirements set out in the Code and the Standard including details of the activities the Committee has undertaken to meet the requirements of the Standard; and
 - 8.4.9. any other issues on which the Board has requested the Committee's option.
- 8.5. In compiling the reports referred to in 8.1 and 8.4, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant but should include at least those matters that have informed the Board's assessment of whether the Company is a going

concern and the input to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the Annual Report and Accounts but could provide cross-references to that information.

9. CHANGES TO THE TERMS OF REFERENCE

- 9.1. It is recognised that the Committee and Group Risk Committee ("**GRC**") have duties in potentially overlapping areas of the Group's operations. Consequently, the Chair of the Committee, in conjunction with the Chair of the GRC, has the authority to determine, from time to time, in relation to any matter whether it falls within the remit of the Committee or GRC or is the responsibility of both the Committee and GRC.
- 9.2. These Terms of Reference shall be reviewed on an annual basis by the Committee and any proposed amendments **will be recommended to the Board for approval**.