

SECURE TRUST BANK PLC (“STB” or “Company”)

AUDIT COMMITTEE

TERMS OF REFERENCE

adopted by the Board on 6 October 2016¹

(to take effect from Admission – 12 October 2016)

References to the:

“**Committee**” mean the Audit Committee of the Board of STB.

“**Board**” mean the Board of Directors of STB.

“**Group**” mean STB and its subsidiaries.

1. **Membership**

- 1.1 The Board appoints the Chairman of the Committee (the “**Chairman**”), who must be an independent Non-Executive Director. In the absence of the Chairman and/or an appointed deputy, the remaining members present must elect one member to chair the meeting.
- 1.2 Members of the Committee are appointed by the Board on the recommendation of the Nomination Committee and after consultation with the Chairman.
- 1.3 The Committee comprises at least three members, each of whom will be Independent Non-Executive Directors. The Chairman of the Board must not be a member of the Committee. At least one of the members must be a member of the Risk Committee. At least one member of the Committee should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies, and with competence in accounting and/or auditing. The Committee as a whole must have competence relevant to the sector in which the Company operates.
- 1.4 Appointments to the Committee are for a period of up to three years, which may be extended for no more than two additional periods of up to three years, provided members continue to be independent.

2. **Secretary**

The Company Secretary (or their nominee) ordinarily acts as the secretary of the Committee (the “**Secretary**”) and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

¹ As amended by the Board on 7 February 2023.

3. **Quorum**

- 3.1 The quorum necessary for the transaction of business is two members of the Committee.
- 3.2 A duly convened and quorate meeting of the Committee can exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. **Frequency of meetings**

- 4.1 The Committee must meet at least four times in each financial year at appropriate intervals in the financial reporting and audit cycle and at such other times as required for the Committee to discharge its responsibilities effectively.
- 4.2 Outside the formal meeting programme, the Chairman will maintain a dialogue with key individuals involved in matters relating to the terms of reference of the Committee, including the Chairman of the Board, the Chief Executive Officer, the Chief Financial Officer, the External Audit Lead Partner, the Chief Internal Auditor and the Chief Risk Officer.

5. **Notice of meetings**

- 5.1 Meetings of the Committee will be called by the Chairman or by the Secretary at the request of the Chairman at times set for each financial year and at the request of any of its members or at the request of any of these people if they consider a meeting to be necessary:
 - (A) the Chairman of the Board;
 - (B) the Chairman of the Risk Committee;
 - (C) the Chief Executive Officer;
 - (D) the Chief Financial Officer;
 - (E) the External Audit Lead Partner;
 - (F) the Chief Internal Auditor; or
 - (G) the Chief Risk Officer.
- 5.2 Unless otherwise agreed by the Chairman, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed, must be forwarded to each member of the Committee, and to other attendees as appropriate, no later than seven days before the date of the meeting. The Chairman has the sole discretion to reduce this notice period to whatever the Chairman considers appropriate in the circumstances. So far as practicable supporting papers will be provided with the notice of meeting.

6. **Proceedings of the Committee**

- 6.1 Only Committee members have the right to attend Committee meetings. However, the Committee may invite any member of the Board, member of staff or external advisers to attend all or part of any meeting as and when appropriate or necessary.

- 6.2 Meetings may be held by telephone, or other electronic means, if those participating can hear and speak to each other.
- 6.3 At least once a year the Committee will meet the external auditor without Executive Directors or other management present.
- 6.4 At least once a year the Committee will meet the Chief Internal Auditor without Executive Directors or other management present.
- 6.5 The Committee may meet separately with any of the Executive Directors without any other Executive Directors being present.
- 6.6 The Chairman will be available to the Secretary, the Chief Financial Officer, the Chief Internal Auditor and the External Audit Lead Partner to discuss any matters of concern about financial reporting matters or compliance with the Group's legal and regulatory obligations, in the widest sense, or any other matters within the remit of the Committee should this be considered necessary by those individuals.
- 6.7 Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chairman having a second, casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote can ask for their dissent to be noted in the minutes.
- 6.8 A decision in writing and signed by all the members of the Committee will be as effective as a resolution passed at a Committee meeting. Any written decision will be tabled and noted at a meeting of the Committee.

7. **Minutes of meetings**

- 7.1 The Secretary (or their nominee) will minute the proceedings and decisions of all Committee meetings, recording the name of those present and in attendance.
- 7.2 The members of the Committee will, at the beginning of each meeting, declare the existence of any conflicts of interest arising and the Secretary will minute them accordingly.
- 7.3 Draft minutes of Committee meetings will, following review by the Chairman, be circulated to all members of the Committee as soon as practicable after each meeting. Once approved, minutes must be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chairman.
- 7.4 Final signed copies of the minutes of the meetings of the Committee must be maintained as part of the records of the Company.

8. **Annual General Meeting**

- 8.1 The Chairman will attend the Annual General Meeting of the Company to respond to any shareholder questions on the Committee's activities and responsibilities and the report of those activities included in the Annual Report and Accounts. The Chairman should seek

engagement with shareholders on significant matters related to the Committee's area of responsibility.

9. Authority

9.1 The Committee can undertake any activity within its terms of reference. The Committee is entitled to sufficient resources from the Group to undertake its duties. The authority of the Committee extends across the Group.

9.2 In particular, the Committee can:

- (A) obtain any information and explanations it requires from any employee of the Group to perform its duties;
- (B) seek any information it requires from persons outside the Group to perform its duties;
- (C) conduct or authorise any investigation into matters within its scope of responsibility;
- (D) obtain, at the Company's reasonable expense, independent legal, accounting or other professional advice on anything which it believes it necessary or desirable to do so;
- (E) call any employee or contractor of the Group to be questioned at a meeting of the Committee as and when required;
- (F) publish in the Company's annual report and accounts details of any issues that cannot be resolved between the Committee and the Board. If the Board has not accepted the Committee's recommendation on the external auditor appointment, reappointment 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;
- (G) request Internal Audit to carry out such independent reviews as it deems necessary and report back to the Committee; and
- (H) liaise regularly with other committees and in particular the Risk Committee and the Remuneration Committee taking account of the impact of risk management and internal controls being delegated to different committees and where there is perceived to be an overlap of responsibilities between the Committee and any other committee, the respective committee Chairmen can agree the most appropriate committee to discharge any responsibility. A responsibility under the terms of reference of the Committee will be deemed to have been fulfilled if it is dealt with by either the Committee or the other committee.

10. Responsibilities

10.1 The Committee will oversee, across the Group and on behalf of the Board, unless otherwise required by regulation, the financial reporting process and its external audit, the appropriateness and effectiveness of systems and controls and the work of Internal Audit in reviewing the Group's risk management, governance and systems of internal control processes.

- 10.2 The Committee will carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

Internal Controls

The Committee will keep under review the Group's internal financial controls systems that identify, assess, manage and monitor financial risks.

Whistleblowing

- 10.3 The Committee will review the adequacy and security of the Company's arrangements for its employees, contractors and external parties to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee must ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 10.4 The Committee will review the investigation of matters resulting from concerns raised, in confidence, about possible wrongdoing in financial reporting or other matters and consider the risk related implications of such matters.

Financial reporting

- 10.5 The Committee will monitor the Company's financial reporting process, and the integrity of the financial statements of the Company, including its annual and half-yearly reports trading updates and any other formal announcement relating to its financial performance. It will review and report to the Board on significant financial reporting issues and judgements which the financial statements contain having regard to matters communicated to it by the external auditor. The Committee will also review summary financial statements, significant financial returns to regulators and, if requested to do so by the Board, any financial information contained in certain other documents, such as announcements of a price sensitive nature. The Committee will assist the Board by reviewing and, where appropriate, recommending to the Board the approval of any financial statements and regulatory reports requiring formal Board approval.
- 10.6 The Committee will review the Annual Report and Accounts of the Group before submission to the Board for approval, and, through reports from the executive management and the external auditor to the Committee, consider (and challenge where necessary):
- (A) the consistency of, and any changes to, significant accounting and treasury policies on a year on year basis, across the Company and the Group;
 - (B) compliance with legal, regulatory and statutory requirements;
 - (C) compliance with the requirements of any body by which the activities of the Group or its subsidiaries are regulated;
 - (D) the methods used to account for significant or unusual transactions where different approaches are possible;

- (E) the appropriateness of accounting and treasury policies selected, the consistency with which they are applied and any changes in significant accounting policies and practice both on a year-on-year basis and across the Group;
- (F) whether the Company has followed appropriate accounting standards and made appropriate estimates, subjective decisions and material judgements, made in the course of preparing the accounts, taking into account the views of the external auditor;
- (G) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
- (H) all material information presented with the financial statements, such as the strategic review, directors' report and the corporate governance statements relating to the Audit Committee;
- (I) whether the narrative is consistent with the financial information provided;
- (J) significant adjustments resulting from the audit and the Committee will assist in the resolution of any disagreements between management and the external auditor regarding formal reporting; and
- (K) the going concern assumption, the long term viability of the business and any material uncertainties to the Group's ability to continue to adopt the going concern basis over a period of at least 12 months from the date of approval of the financial statements or any other statement which requires Board approval and contains financial information.

10.7 The Committee will assess the effectiveness of the Group's financial reporting procedures.

10.8 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it must report its views to the Board.

10.9 The Committee will consider any issues raised by executive management and the external auditor relating to the interim review and year end audits, and any matters the external auditor may wish to discuss (in the absence of management where necessary).

Narrative Reporting

10.10 Where requested by the Board, the Committee will 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 on these matters that is required under the UK Corporate Governance Code.

Regulatory reporting

10.11 The Committee will oversee that, where applicable, the Group complies with all necessary regulatory reporting including (but not limited to) reviewing arrangements established by management for compliance with regulatory financial reporting requirements, such as the

requirements and recommendations of the relevant regulatory bodies (including the Prudential Regulation Authority and the Financial Conduct Authority).

External audit

10.12 The Committee will :

- (A) consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, about the appointment, re- appointment or removal of the external auditor;
- (B) maintain regular, timely and open and honest communication with the external auditor, ensuring that the external auditor reports to the Committee on all relevant matters to enable the Committee to carry out its oversight responsibilities;
- (C) monitor the statutory audit of the Company's annual and consolidated accounts and review and agree with the external auditor the results of their audit. This will include, but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed
 - (iii) key accounting and audit judgements;
 - (iv) the auditor's view of their interaction with senior management;
 - (v) levels of errors identified during the audit;
 - (vi) effectiveness of the audit process; and
 - (vii) compliance with applicable financial and sustainability reporting standards and relevant financial and governance reporting requirements.

10.13 The Committee must 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. In respect of such tender the Committee must develop and oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.

10.14 If the external auditor resigns, the Committee must investigate the issues leading to this and decide whether any action is required.

10.15 The Committee will oversee the relationship with the external auditor, which will include (but is not limited to):

- (A) approving their remuneration, including fees for both audit and non-audit services, and ensuring that the level of fees is appropriate to enable an effective and high quality audit to be conducted;

- (B) approving their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (C) authorising to the extent permitted by law and regulations the external auditor to provide non-audit services to the Company or Group;
- (D) establishing any requirements in relation to the pre-approval of permitted non-audit services including setting materiality thresholds based on the value of the proposed non-audit service engagements;
- (E) assessing annually their independence and objectivity, taking into account relevant law, UK professional and regulatory requirements including the Ethical Standard and the Group's relationship with the external auditor as a whole, including any threats to the external auditor's independence such as through the provision of any non-audit services;
- (F) monitor the level of fees paid by the Company 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, guidance and the Ethical Standard;
- (G) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the external auditor's independence and objectivity;
- (H) agreeing arrangements with the Board on the employment of former employees of the Company's external auditor, taking in to account the Ethical Standard and legal requirements, and monitoring the implementation of the arrangements;
- (I) monitoring the external auditor's compliance with relevant legal, regulatory, ethical and professional guidance on the rotation of audit partners and staff, the level of fees paid by the Company compared with the overall fee income of the firm, office and partner and other related requirements for maintaining independence and objectivity;
- (J) assessing annually the qualifications, expertise, resources and independence of the external auditor and the effectiveness of the external audit process, which will include a report from the external auditor on their own internal quality procedures;
- (K) seeking to ensure co-ordination with the activities of the Internal Audit function and that any conflicts of interest between the external auditor and Internal Audit are managed appropriately;
- (L) evaluating the risks to the quality and effectiveness of the financial reporting process in light of the external auditors' communications with the Committee; and
- (M) at least annually, formally reviewing the relationship with the external auditor.

- 10.16 The Committee must meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without Executive Directors or management being present, to discuss the auditor's remit and any issues arising from the audit.
- 10.17 The Committee must review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 10.18 The Committee will also:
- (A) review any representation letter(s) requested by the external auditor before they are signed by management;
 - (B) review the management letter and management's response to the external auditor's findings and recommendations; and
 - (C) develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to external auditor objectivity and independence, taking into account any relevant guidance on the matter.

Internal audit

- 10.19 The Committee will review and approve the role and mandate of internal audit, monitor and review the effectiveness of the activities of Internal Audit.
- 10.20 The Chairman will be the line manager of the Chief Internal Auditor.
- 10.21 The Committee must:
- (A) approve the appointment or termination of appointment of the Chief Internal Auditor;
 - (B) approve the Internal Audit budget;
 - (C) review and approve the Charter of the Internal Audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors and, at least annually, review the scope and nature of the work of Internal Audit as set out in the Charter to check it is appropriate for the current needs of the organisation;
 - (D) ensure the Chief Internal Auditor has direct access to the Board, the Committee and to the Chairman;
 - (E) ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;

- (F) provide feedback to the Chairman in connection with the review by the Chairman of the performance of the Chief Internal Auditor and in particular provide feedback on the independence, objectivity and tenure of the Chief Internal Auditor;
- (G) review and approve the annual Internal Audit work plan ensuring that internal audit includes within its planning the adequacy and effectiveness of the Risk Management, Compliance and Finance Functions and overseeing it is aligned to the key risks of the business;
- (H) review and approve any Internal Audit outsourcing arrangements and their cost effectiveness;
- (I) receive a report on the results of the Chief Internal Auditor's work on a periodic basis including progress of work against plan, the nature and extent of any unscheduled work undertaken, significant findings from audit work undertaken and the status of Internal Audit recommendations and their implementation within agreed timescales;
- (J) meet the Chief Internal Auditor at least once a year, without management present, to discuss the remit of the Chief Internal Auditor and any issues arising from the Internal Audit reviews;
- (K) review all reports addressed to the Group from the Internal Audit function;
- (L) review and monitor management's responsiveness to the Chief Internal Auditor's findings and recommendations;
- (M) consider and approve requests for extensions of time for the performance of management actions resulting from Internal Audit reports where the extension falls outside protocols agreed from time to time with Internal Audit;
- (N) monitor and review the effectiveness of the Company's Internal Audit function, in the context of the Company's overall risk management system; and
- (O) at least every five years, arrange an independent review of the Internal Audit function in accordance with the International Professional Practice Framework (IPPF) of the Institute of Internal Auditors.

Fraud and Bribery

- 10.22 The Committee will review the Group's procedures for detecting management fraud affecting financial reporting.
- 10.23 The Committee will review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance.

Regulatory rules and guidance

- 10.24 The Committee will oversee compliance by the Company or the Group with the directly applicable rules and guidance from time to time of the Financial Reporting Council (and the Audit Reporting and Governance Authority as its successor) and if not directly applicable may

decide whether (and if so to what extent) or not the Company or the Group should voluntarily comply with such rules and guidance.

11. Reporting responsibilities

11.1 The Chairman must report to the Board on the proceedings of the Committee after each meeting on all matters within its duties and responsibilities and must also formally report to the Board on how it has discharged its responsibilities.

11.2 The Committee will report to the Board on:

- (A) the significant issues that it considered about the financial statements and how these were addressed;
- (B) its assessment of the effectiveness of the external audit process, the appointment or re-appointment of the external auditor including the approach taken to such appointment or re-appointment, information on the length of tenure of the audit firm, when a tender was last conducted and any plans to put the external audit to tender; and
- (C) any other issues on which the Board has requested the Committee's opinion.

11.3 The Committee must make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed. Any such recommendation of the Committee will take effect only if approved by the Board.

11.4 The Committee will produce an annual report on its activities to be included in the Company's Annual Report and Accounts. The report should include:

- (A) details of the membership of the Committee, number of meetings held and attendance over the course of the year;
- (B) the significant issues that the Committee considered in relation to the financial statements, and how these issues were addressed, having regard to matters communicated to it by the external auditor;
- (C) an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, and 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;
- (D) 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 UK Corporate Governance Code;
- (E) all other information requirements set out in the UK Corporate Governance Code; and

(F) make any statement of compliance required by law or regulations.

11.5 In compiling the reports referred above, the Committee should exercise judgement in deciding which of the issues it considers are significant in relation to the financial statements, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the impacts on the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but may provide cross-references to that information.

12. **Other matters**

12.1 The Committee will:

- (A) 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;
- (B) have access to sufficient resources to carry out its duties, including access to the Company Secretariat for advice and assistance as required;
- (C) give due consideration to laws and regulations, the provisions of the Prudential Regulation Authority Rulebook and the Financial Conduct Authority's Handbook, the provisions of the UK Corporate Governance Code and published guidance and the requirements of the FCA's Listing Rules and the Disclosure Guidance and Transparency Rules and any other applicable rules and guidance, as appropriate;
- (D) be responsible for oversight of the coordination of the internal and external auditors;
- (E) have regard to the relevant UK regulations imposing a mandatory firm rotation for the statutory auditor of public interest entities;
- (F) oversee any investigation of activities which are within its terms of reference; and
- (G) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval.