



OSB GROUP PLC

(THE COMPANY)

GROUP AUDIT COMMITTEE

TERMS OF REFERENCE

1. OBJECTIVES

- 1.1 The Group Audit Committee (the Committee) is a Committee of the Board. The primary objective of the Committee is to assist the Board in overseeing the systems of internal control and external financial reporting across the Company and its subsidiaries (the Group). The Committee performs this role by reviewing and monitoring:
- (a) the effectiveness of the external and internal audit arrangements;
 - (b) the effectiveness of compliance assurance arrangements;
 - (c) the effectiveness of fraud prevention and whistleblowing procedures are established which minimise potential for fraud and financial impropriety; and
 - (d) 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 the Schedule.

2. CONSTITUTION, MEMBERSHIP AND QUORUM

- 2.1 The Committee shall comprise at least three members. Membership shall include at least one member of the Group Risk Committee. Members of the Committee shall be appointed by the Board on the recommendation of the Group Nomination and Governance Committee in consultation with the Chair of the Committee.
- 2.2 All members of the Committee shall be independent Non-Executive Directors and at least one member shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The Chairman of the Board shall not be a member of the Committee.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, the internal and external auditors and Chief Financial Officer will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, subject to members continuing to meet the criteria for membership.
- 2.5 The Board shall appoint the Chair of the Committee. In the absence of the Chair of the Committee, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 The quorum necessary for the transaction of business shall be two members.
- 2.7 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.

3. **SECRETARY**

The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. **VOTING ARRANGEMENTS**

4.1 Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting (whether in person or by audio or video conference).

4.2 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote on that matter.

4.3 Except where he has a personal interest, the Chair of the Committee shall have a casting vote.

5. **FREQUENCY OF MEETINGS**

5.1 The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

5.2 Outside of the formal meeting programme, the Chair of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, the Chairs of Audit, Risk and Remuneration Committees, the Chief Executive Officer, the Chief Financial Officer, the external audit lead partner, the Group Chief Internal Auditor and Group Conduct and Compliance Director.

6. **NOTICE AND MINUTES**

6.1 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or Group Chief Internal Auditor if they consider it necessary.

6.2 The Secretary will normally distribute the agenda and papers for meetings at least five days before the date of the meeting.

6.3 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.

6.4 Draft minutes of meetings will be distributed promptly to the Chair of the Committee. Once approved, minutes should be distributed to all other members of the Board unless it would be inappropriate to do so in the opinion of the Chair of the Committee.

7. **ANNUAL GENERAL MEETING**

The Chair of the Committee should attend the annual general meeting to answer shareholder questions on the Committee's activities.

8. **REPORTING RESPONSIBILITIES**

8.1 The Chair of the Committee shall report formally 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:

- (a) the significant issues that the Committee considered in relation to the financial statements and how these were addressed;
 - (b) 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; and
 - (c) any other issues on which the Board has requested the Committee's opinion.
- 8.2 Where requested by the Board, 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.
- 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. The report should include:
- (a) the significant issues that the Committee considered in relation to the financial statements and how these were addressed;
 - (b) an explanation of how the Committee has assessed the independence 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; and
 - (c) 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 UK Corporate Governance Code (the Code).
- 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. **OTHER MATTERS**

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required;
- (b) 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;
- (c) give due consideration to laws and regulations, the provisions of the Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules and any other applicable rules, as appropriate;
- (d) be responsible for co-ordination of the internal and external auditors;

- (e) oversee any investigation of activities which are within its terms of reference;
- (f) work and liaise as necessary with all other Committees of the Board, taking particular account of the impact of risk management and internal controls being delegated to different Committees; 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 at maximum effectiveness and recommend any changes it considers necessary to the Board.

10. **AUTHORITY**

- 10.1 The Board has delegated the powers, authorities and discretions set out in this Terms of Reference and the attached Schedule for the Committee. The Committee may sub-delegate (unless expressly prohibited by the Board) some of its powers and authorities, including, the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 10.2 The Committee has authority to investigate any matter relating to the Group. It also has authority to:
- (a) seek any information it requires from any Director, Officer or employee of the Group in order to perform its duties;
 - (b) obtain, at the Group's expense, independent legal, accounting or other professional advice on any matter, and if necessary, invite external advisers with relevant experience to attend meetings of the Committee;
 - (c) call any employee to be questioned at a meeting of the Committee as and when required; and
 - (d) have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.
- 10.3 If the Board has not accepted the Committee's recommendation on the external auditor appointment, re-appointment or removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.



OSB GROUP PLC
Group Audit Committee
Authorities, Powers and Discretions

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1. Internal Control and Risk Management

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability
1.1	Financial control and risk management	Keep under review the Group's internal financial controls systems that identify, assess and monitor financial risks, and other internal control and risk management systems.	Board (upon recommendation from Group Audit Committee)	Chair of Group Audit Committee
		Review and endorse the statements to be included in the annual report concerning internal controls, risk management and the viability statement, prior to their approval by the Board.		
		Evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee.	Group Audit Committee	Chair of Group Audit Committee
1.2	Compliance and Fraud	Review and approve the Group's procedures for detecting financial crime including conduct risk and related activities.	Group Audit Committee	Chair of Group Audit Committee
		Review and approve the Group's systems and controls for the prevention of financial crime and receive reports on non-compliance.	Group Audit Committee	Chair of Group Audit Committee
		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.	Group Audit Committee	Chair of Group Audit Committee
		Review at least annually a report from the Group Conduct and Compliance Director and keep under review the adequacy and effectiveness of the Group's compliance assurance function.	Group Audit Committee	Chair of Group Audit Committee
1.3	Whistleblowing	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.	Group Audit Committee	Chair of Group Audit Committee
		Ensure that the arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.	Group Audit Committee	Chair of Group Audit Committee

2. Financial Reporting

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability
2.1	Financial reporting	<p>(a) The Committee shall 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, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to the matters communicated to it by the auditor.</p> <p>(b) In particular, the Committee shall review, challenge where appropriate, and report to the Board on:</p> <ul style="list-style-type: none"> (i) the consistency, quality and appropriateness of significant accounting policies both on a year-on-year basis and across the Group; (ii) the methods used to account for significant or unusual transactions where different approaches are possible; (iii) whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor; (iv) the clarity and completeness of disclosure in the Group's financial reports and the context in which statements are made; and (v) all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management. <p>Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Group, it shall report its views to the Board.</p>	Board (upon recommendation from Group Audit Committee)	Chair of Group Audit Committee
2.2	Accounting policy	Review and recommend any significant changes of accounting policy to the Board for approval	Board (upon recommendation from Group Audit Committee)	Chair of Group Audit Committee

3. Internal Audit

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability
3.1	Appointment of internal auditor	Review and approve the appointment or termination of appointment of the Group Chief Internal Auditor, or the relevant outsourcing partner if the Committee determines that the Internal Audit function should be outsourced.	Group Audit Committee	Chair of the Group Audit Committee
3.2	Mandate of internal audit	Review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work and annually approve the Internal Audit Charter ensuring it is appropriate for the current needs of the organisation.	Group Audit Committee	Chair of Group Audit Committee
		Ensure that internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, 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 appropriate professional standards for internal auditors.		
3.3	Audit Plan	Review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out.	Group Audit Committee	Chair of Group Audit Committee
3.4	Effectiveness of Internal Audit	Ensure the internal auditor, has direct access to the Chairman of the Board and to the Chair of the Group Audit Committee, providing independence from the executive and is accountable to the Committee.	Group Audit Committee	Chair of Group Audit Committee
		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.	Group Audit Committee	Chair of Group Audit Committee
		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.		
		Consider whether an independent, third party review of processes is appropriate.		

4. External Audit

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability
4.1	Audit Tender	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; and in respect of such tender, 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.	Group Audit Committee	Chair of Group Audit Committee
4.2	Appointment of External Auditor	Consider and make recommendations to the Board, 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.	Board and Shareholders (upon recommendation from Group Audit Committee)	Chairman of the Board and Shareholders
4.3	Resignation of External Auditor	If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.	Group Audit Committee	Chair of Group Audit Committee
4.4	Remuneration and Engagement	Oversee the relationship with the external auditor including (but not limited to): (i) approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted; and (ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit.	Group Audit Committee	Chair of Group Audit Committee
		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.	Group Audit Committee	Chair of Group Audit Committee
4.5	Independence of External Auditor	Assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, ethical guidance and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.	Group Audit Committee	Chair of Group Audit Committee
		Satisfy itself that there are no relationships between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity.		

4. External Audit

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability
		Agree a policy on the employment of former employees of the external auditor, taking into account legal requirements, and monitor the application of this policy.		
		Monitor the external auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and ethical guidance, including guidance on the rotation of audit partner and staff.	Group Audit Committee	Chair of Group Audit Committee
		Assess annually the qualifications, expertise and 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.		
4.6	Planning and Coordination	Seek to ensure co-ordination of the external audit with the activities of the Internal Audit function.	Group Audit Committee	Chair of Group Audit Committee
		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, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.		
4.7	External Audit Plan	Discuss with the external auditor the factors that could affect audit quality and 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.	Group Audit Committee	Chair of Group Audit Committee
		Review the findings of the audit with the external auditor. This shall include, but not be limited to, the following: (i) 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; and (v) levels of errors identified during the audit; (vi) review any representation letter(s) requested by the external auditor before they are signed by management; (vii) review the management letter and management's response to the auditor's findings and recommendations; and (viii) review the effectiveness of the audit process 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.	Group Audit Committee	Chair of Group Audit Committee

4. External Audit

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability
4.8	Non-Audit Services	<p>Develop and recommend to the Board the Group's formal 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. The policy should include consideration on the following matters:</p> <ul style="list-style-type: none"> (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; and (e) the criteria governing compensation. <p>Ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity, satisfying itself that there are no relationships between the auditor and the Group outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the auditor's independence and objectivity, or the audit process.</p>	Group Audit Committee	Chair of Group Audit Committee

5. Audit Committees of relevant subsidiaries

Type of Activity		Other Criteria/Notes	Approval <i>(any one of unless otherwise stated)</i>	Accountability
5.1	Oversight	To review the composition, powers and responsibilities of subsidiary committees with responsibility for oversight of audit within the Group.	Group Audit Committee	Chairman of the Group Audit Committee
5.2	Terms of Reference	To review core terms of reference for adoption by subsidiary audit committees and approve material deviations.	Group Audit Committee	Chairman of the Group Audit Committee
5.3	Collaboration	To liaise as necessary with the Group's subsidiaries that are required to establish audit committees (setting 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: (i) receiving copies of the minutes from each subsidiary audit committee; (ii) receiving an update on the emerging risks of a subsidiary company; (iii) encouraging information sharing and best practice to be adopted; and (iv) encouraging interaction with the Committee and between the Chairs of subsidiary audit committees.	N/A	Chairman of the Group Audit Committee