

Saffron Building Society
Terms of Reference
Audit Committee

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Table of Contents

1. Purpose, Scope and Authority	Error! Bookmark not defined.
2. Membership	Error! Bookmark not defined.
3. Secretary	Error! Bookmark not defined.
4. Quorum	Error! Bookmark not defined.
5. Meetings.....	Error! Bookmark not defined.
5.1 Frequency of Meetings	Error! Bookmark not defined.
5.2 Notice of Meetings	Error! Bookmark not defined.
6. Rapid Decision Protocol.....	Error! Bookmark not defined.
7. Approvals and Responsibilities	Error! Bookmark not defined.
7.1 Approvals.....	Error! Bookmark not defined.
7.2 Recommendation for Approvals.....	Error! Bookmark not defined.
7.3 Responsibilities.....	Error! Bookmark not defined.
8. Other Matters	Error! Bookmark not defined.

1. Purpose, Scope and Authority

The Board of Directors (the “Board”) has established a committee of the Board, to be known as the Audit Committee (the “Committee”) to support it in achieving its objectives and responsibilities. The Committee reports directly to the Board.

This Committee’s remit covers Saffron Building Society Group (the “Group”), comprising of Saffron Building Society (the “Society”) and its subsidiary companies including Crocus Home Loans Limited and Saffron Mortgage Finders Limited, and will carry out its responsibilities for the Society entity, major subsidiary undertakings, and the Group as a whole, as appropriate.

The Committee shall have oversight and responsibility for:

- the integrity of the Society’s financial statements and significant judgements used to prepare them
- the objectivity and independence of the Society’s External Auditor
- appointment, re-appointment or removal of the External Auditor
- the effectiveness of systems of internal financial control and financial risk management
- the Society’s Internal Audit programme
- the effectiveness of the Society’s whistleblowing policy and procedures

The Committee is authorised by the Board to obtain, at the Society’s expense, outside legal or other professional advice on any matters within its terms of reference such as independent external legal, accounting or other professional advice and training as it considers necessary.

2. Membership

Role	Status	Deputy
Non-Executive Director	Chair - Member	Non-Executive Director
Non-Executive Directors	Member x3	N/A
Chief Executive Officer	Non-Voting Attendee	N/A
Chief Financial Officer	Non-Voting Attendee	N/A
Chief Risk Officer	Non-Voting Attendee	N/A
Chief Commercial Officer	Non-Voting Attendee	N/A
IT Director	Non-Voting Attendee	N/A
Society Chair	Non-Voting Attendee	
Representative from External Audit	Non-Voting Attendee	N/A
Representative from Internal Audit	Non-Voting Attendee	N/A

The Chair of the Committee shall be an independent non-executive director. The Board shall appoint the Committee Chair. In the absence of the Committee Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

The Committee shall comprise a minimum of three independent non-executive director members..

The Chair and Members of the Committee shall be appointed from the independent non-executive directors by the Board on the recommendation of the Nominations Committee; the Chair of the Risk Committee shall be a member of the Committee.

Only members of the Committee have the right to attend Committee meetings. However, anyone can be invited to attend all or part of any meeting as and when appropriate.

3. Secretary

The Board Secretary, or their 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.

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

Draft minutes of committee meetings shall be circulated by the secretary to all members of the Committee.

4. Quorum

Meetings of the Committee shall be quorate where attended by a minimum of two members.

5. Meetings

5.1 Frequency of Meetings

Meetings shall be held on a minimum of three times a year.

5.2 Notice of Meetings

Unless otherwise agreed, a notice confirming the venue, time, and date of each meeting, along with an agenda of items to be discussed, shall be sent to each Committee member and any other required attendees at least three working days in advance.

Supporting papers shall be distributed to Committee members and other attendees, as appropriate, with best endeavours to provide them at least 5 working days in advance, but no later than 3 working days (to include the weekend) before the meeting.

6. Rapid Decision Protocol

The purpose of the Rapid Decision Protocol is to facilitate decision making outside of the scheduled meetings. Any use of the Rapid Decision Protocol must be agreed with the Chair of the Committee (or in their absence, the Deputy Chair) prior to its use, and circulated by the Committee Secretary (or in their absence, a nominated deputy). Quorum requirements detailed above apply to any decisions with members, either meeting in person, by telephone conference or responding via email.

Any decisions or approvals made using this protocol are to be submitted to the next scheduled Committee meeting, accompanied by a summary of events and the final decision, for inclusion in the minutes.

7. Approvals and Responsibilities

7.1 Approvals

The following documents are submitted to the Committee for approval at the prescribed frequency.

Responsibility	Details
Annual Internal Audit Plan	Review and approve the annual Internal Audit plan to ensure it is aligned to the key risks of the business and note regular reports on work carried out.
Role of Internal Audit	Annually review and approve the Internal Audit Charter which sets out the role and mandate of Internal Audit.
Whistleblowing Report	Review and approve the annual report submitted to the Committee by the Whistleblowing Champion and provide an update to the Board.
Whistleblowing Policy	Review and approve the Whistleblowing Policy on an annual basis.
External Auditor Remuneration	Approve the remuneration, including both fees for audit and non-audit services, and ensure that the level of fee is appropriate to enable an effective and high-quality audit to be conducted while remaining independent.
Non-audit Services Policy	Approve the Society's formal policy on the provision of non-audit services by the External Auditor, including prior 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.
External Auditors Terms of Engagement	Review and approve the Terms of Engagement of the External Auditors for audit services on an annual basis.
Former Society Auditor Employees Policy	Annually review and approve the Society's policy on the employment of the External Auditor's former employees.
External Audit Plan	Approve the annual External Audit Plan submitted by the External Auditor.

7.2 Recommendation for Approvals

The following documents are submitted to the Committee at the prescribed frequency for review and recommendation to Board for approval.

Responsibility	Details
Group Financial Statements	Review and recommend for approval to the Board: <ul style="list-style-type: none"> - the Annual Report and Accounts, including the Audit Committee Report - the Summary Financial Statement

	<ul style="list-style-type: none"> - the Going Concern and viability statements - the Letters of Representation for the Group entities - the Subsidiary Accounts, and - All other external announcements covering the Group's financial performance.
Pillar III	Annually review and recommend the Pillar III disclosures to the Board for approval.
Recommendation relating to appointment/ removal of External Auditors	Consider and make a recommendation to the Board, to be presented at the AGM for member approval, in relation to the appointment, re-appointment or removal of the Society's External Auditor.
Terms of Reference	Review the Committee's Terms of Reference on an annual basis and submit to the Board for approval with any change recommendations as required.

7.3 Responsibilities

Responsibility	Details
Financial Reporting	<p>The Committee shall monitor the integrity of the financial statements of the Group and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the internal and External Auditors. In particular, the Committee shall review and challenge where necessary:</p> <ul style="list-style-type: none"> • the application of significant accounting policies and any changes to them • the methods used to account for significant or unusual transactions where different approaches are possible. • whether the Society has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the External Auditor's views on the financial statements. • the clarity and completeness of disclosures in the financial statements and the context in which statements are made and whether the statements, when taken as a whole are fair, balanced and understandable. • all material information presented with the financial statements. • the Society's compliance with taxation reporting and assessments to include corporation tax, VAT and member related tax deduction and reporting. • any other statements requiring Board approval which contain financial information and in particular where a review prior to Board approval would be appropriate.
Internal Controls	<p>The Committee shall:</p> <p>keep under review the company's internal financial controls systems that identify, assess, manage and monitor financial</p>

	<p>risks, and other internal control management systems.</p> <p>Review and approve the statements to be included in the annual report concerning internal control and risk management. This includes the assessment of principal risks and emerging risks, and the viability statement.</p>
Internal Audit	<p>The Committee shall:</p> <ul style="list-style-type: none"> • ensure Internal Audit has unrestricted scope and appropriate access to the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open communication between different control functions and that the Internal Audit function evaluates the effectiveness of these functions as part of its Internal Audit plan. • ensure that the Internal Audit function is equipped to perform in accordance with appropriate professional standards for internal auditors. • ensure the Internal Auditor has direct access to the Board Chair and to the Committee Chair, providing independence from the executive and accountability to the Committee. • carry out an annual assessment of the effectiveness of the Internal Audit function and as part of this assessment: <ul style="list-style-type: none"> ○ receive a report on the results of the Internal Auditor's work. ○ determine whether it is satisfied that the quality, experience and expertise of Internal Audit is appropriate for the business. ○ review the actions taken by management to implement the recommendations of Internal Audit and to support the effective working of the Internal Audit function. ○ monitor and assess the role and effectiveness of the Internal Audit function in the overall context of the Society's risk management systems and the work of Compliance, Finance and the External Auditor. ○ review the effectiveness of its work, ensuring it is appropriate for the current needs of the organisation. • review the combined assurance plan against the Internal Audit Plan to ensure there is appropriate coverage over first, second and third line.
External Audit	<p>The Committee shall:</p> <ul style="list-style-type: none"> • lead the tender process and make recommendations to the Board about the appointment, reappointment and removal of the External Auditor ensuring the regulatory requirements for contract renewal and partner rotation are met • where an External Auditor resigns, investigate the issues leading to this and decide whether any action is required.

	<ul style="list-style-type: none"> • approve the auditors remuneration (audit and non-audit services), ensuring its appropriateness to deliver an effective and high quality audit and reviewing the level of fees paid in proportion to the overall fee income of the firm. • assess annually the qualifications, expertise and resources, and independence of the External Auditor and the effectiveness of the external audit process, including the guidance on the rotation of audit partner and staff which shall include a report from the External Auditor on their own internal quality procedures. This should also consider information from other independent sources (e.g. FRC). • approve any engagement of the External Auditor to supply non-audit services, , considering the impact this may have on independence, taking into account the relevant regulations and ethical guidance in this regard, and reporting to the Board on any improvement or action required. • agree with the Board a policy on the employment of former employees of the Society's auditor, taking into account the Ethical Standard and legal requirements, and monitor the application of this policy. • 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. • discuss with the External Auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team. • review the findings of the audit with the External Auditor. • review any representation letter(s) requested by the External Auditor. • review the Management Letter and Management's response to the External Auditor's findings and recommendations. • 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.
Reporting Responsibilities	<p>The Committee shall compile a report on its activities to be included in the Society's Annual Report and Accounts. The report should describe the work of the Committee, including:</p> <ul style="list-style-type: none"> • any significant issues that the committee considered in relation to the financial statements, and how these issues were addressed. • an explanation of how the committee has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or

	<p>reappointment of the External Auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans.</p> <ul style="list-style-type: none"> an explanation of how auditor independence and objectivity are safeguarded if the External Auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code.
	<p>In compiling the reports referred to in this section, 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 Society is a going concern and the inputs 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.</p>
Audit Committee Effectiveness	<p>Committee to review both committee culture and its effectiveness against its Terms of Reference and report any findings and recommendations to the Board.</p>

8. Other Matters

The Committee shall:

Have access to sufficient resources in order to carry out its duties, including access to the Chief of Staff for advice and assistance as required.

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.

Give due consideration to all relevant laws and regulations, the provisions of the Corporate Governance Code and associated guidance and any other applicable rules, as appropriate.

9. Version History

Version	Author	Date	Notes
v.1.1	Harriet Hollowell	December 2021	New Terms of Reference put in place
v.1.5	Harriet Wright	December 2022	Annual Review
V 1.8	Harriet Wright	October 2023	Annual Review
V 1.9	Harriet Wright	October 2024	Annual Review
V 1.11	Harriet Wright/ Robin Litten	February 2025/April 2025	Annual Review