



Terms of Reference of Board Sub Committees: Board Audit & Compliance Committee

June 2024

Document Control

The content and any amendments of this document are the responsibility of the Financial Controller and Secretary.

| Version | Date | Changes made |
|---------|---------------|---|
| 1.0 | June 2018 | Full Review |
| 2.0 | October 2018 | Manual divided into individual sections |
| 3.0 | November 2019 | Full Review |
| 4.0 | February 2020 | Updates |
| 5.0 | June 2020 | Full Review |
| 6.0 | November 2020 | Updates |
| 7.0 | December 2020 | Updates |
| 8.0 | August 2021 | Full Review |
| 9.0 | February 2022 | Updates |
| 10.0 | June 2024 | Wholesale review of the terms of reference to bring up to date and ensure fully comprehensive in line review of the Board Risk Committee Terms of Reference and work on the Global Policy List. |

Contents

Constitution 4

Role and responsibilities..... 4

Objective 4

Duties and terms of reference 4

Membership..... 6

Quorum..... 7

Frequency of, and attendance at, meetings 7

Notice of meetings..... 7

Voting arrangements..... 7

Minutes of meetings..... 8

Annual General Meeting (“AGM”)..... 8

Reporting responsibilities..... 8

General matters..... 8

Authority..... 9

Policies for Consideration by Audit & Compliance Committee: 9

Constitution

The Board of Directors of Market Harborough Building Society has resolved to establish a Committee of the Board to be known as the Board Audit & Compliance Committee ("BACC").

The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.

The Committee may sub-delegate any or all of its powers and authority as it thinks fit to one or more of its members or the Financial Controller & Society Secretary, including without limitation, the establishment of sub-committees which are to report back to the Committee.

Role and responsibilities

Management is responsible for designing an appropriate internal control framework. The Audit and Compliance Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation as well as design of this framework. The Committee reviews both internal and external audit reports, assesses the effectiveness of the internal and external auditors and agrees the annual internal audit plan. The Committee also has responsibility for ensuring effective whistleblowing arrangements are in place, which enables any concerns to be raised by employees in confidence.

Objective

To ensure the integrity of the control environment and the Society's adherence to the regulatory requirements.

Duties and terms of reference

The Committee shall carry out the following duties for the Society as appropriate:

1. External Audit

- a) to consider and make recommendations on the appointment of the external auditors, taking into account their independence and objectivity; to recommend the Engagement Letter to the Board;
- b) to recommend the audit fee to the Board;
- c) to discuss and agree with the external auditors before the audit commences the nature and scope of the audit, including planned levels of materiality and the adequacy of proposed resources;
- d) to discuss issues and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of management where necessary);
- e) to review the external auditors' final audit findings and where appropriate to propose any consequent recommendations to the Board;

- f) to consider, before the Board appoints the external auditors to carry out any non-audit services, whether there are any matters to be taken into account which might make such an appointment inappropriate;
- g) to authorise any additional services to be provided by external audit other than those included the annual audit;
- h) to investigate any issues giving rise to the resignation of the external auditors should such an event occur, and for considering whether any action is required.

2. Internal Audit

- a) to consider the appointment of the Internal Auditors, taking into account the adequacy of resources and skills of the internal audit staff and the overall effectiveness of the internal audit function; to approve the Letter of Engagement;
- b) to review and approve the annual internal audit plan, agree the internal audit fee and ensure co-ordination between the internal and external auditors;
- c) to consider the findings of internal audit investigations, recommendations arising and management's responses;
- d) to have primary responsibility for considering findings in relation to all controls (with ALCO having primary responsibility for treasury controls and BALCO secondary, receiving the treasury reports from the internal auditor);
- e) to receive the annual internal audit opinion.

3. Financial Oversight

- a) to review and approve the appropriateness of accounting policies, practices and assumptions;
- b) to review the annual financial statements before recommendation to the Board, focusing particularly on:
 - (i) major judgemental areas;
 - (ii) significant adjustments resulting from the audit;
 - (iii) compliance with accounting standards;
 - (iv) compliance with regulatory requirements.

4. Compliance

- a) to consider and approve the Annual Assurance Plan and monitor its ongoing implementation;
- b) to review the Society's policies for compliance with statutory and regulatory requirements (as appropriate), and in particular compliance with:
 - (i) the deposit-taking, mortgage lending and general insurance regulations of the Prudential Regulation Authority and the Financial Conduct Authority;
 - (ii) Financial Crime regulations regarding bribery and conflicts of interest;
 - (iii) the General Data Protection Regulations;
 - (iv) Health and Safety legislation;and to recommend any changes in these documents to the Board;
- c) to receive reports prepared by the Executive or third parties concerning the Society's compliance with regulatory requirements, to consider their findings

and, where necessary, recommend changes in policy or procedures to the Board;

- d) to receive a report annually from the Money Laundering Reporting Officer, and determine any necessary improvements in control;
- e) to review and approve the Society's Whistleblowing Statement;
- f) to ensure that outsourcing arrangements in critical areas are compliant and robust prior to signature.
- g) to receive any significant model risk related issues reported on to Risk Committee, which may impact judgements relating to the Society's financial statements, either at the meeting itself, or by email to the Committee member where there is no meeting imminent depending on the urgency. This will be in the form of a copy of the Risk Report.

5. Miscellaneous

- a) to consider other topics, as defined by the Board.
- b) to periodically, and at least annually, carry out a Committee Self-Evaluation exercise
- c) consider any training and development needs for Committee members.
- d) to ensure that we consider our responsibilities in relation to Consumer Duty, specifically focussing on the Products and Services and Fair Value outcomes.

Membership

The Committee shall be appointed by the Board from amongst the Non-Executive Directors, and shall comprise of no less than three Non-Executive Directors, including the Chair. The Chair of the Board shall not chair the Committee.

The Board shall appoint the Chair of the Committee ("SMF11"). In the absence of the Committee Chair and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.

Membership shall include at least one member of the Board Assets & Liabilities Committee ("BALCO") and one member of the Board Risk Committee ("BRC") to assist communications between Committees and one member who must have recent and relevant financial experience.

The Committee Chair shall review membership of the Committee annually as part of the annual performance evaluation of the Committee and ensure Committee members have appropriate knowledge, skills and experience. The Chair should also consider whether BACC members have sufficient time to deliver their responsibilities.

The Society Secretary, or their nominee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including the recording of Committee minutes and ensuring that the Committee receives information and papers in a timely manner to enable full and proper consideration of the relevant issues.

Quorum

The quorum necessary for the transaction of business at a Committee meeting shall be two Non-Executive Directors, present in person or by audio or video conference.

A duly convened Committee meeting at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

Frequency of, and attendance at, meetings

The Committee shall meet at least four times a year with such additional ad hoc meetings as Committee members may deem fit. At least once per year, the BACC will be held before the BRC to allow for interaction between the two Committees and Internal Audit (if required).

Only Committee members have the right to attend and vote at Committee meetings. However, the Chief Executive Officer, Chief Financial Officer, Chief Customer Officer, Chief Risk Officer, Chief Lending Officer, Chief Engagement Officer and Financial Controller & Society Secretary shall be invited to attend and address meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meetings as and when appropriate and necessary.

The Secretary of the Committee shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Meetings of the Committee may be conducted when the members are physically present together or in the form of either video or audio conferences.

Notice of meetings

Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed and relevant papers, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than three working days before the date of the meeting.

Voting arrangements

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).

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

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

The Committee Chair may ask attendees of a Committee meeting to leave the meeting to allow discussions of matters relating to them.

Minutes of meetings

The Society Secretary (or their nominee) shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance. A resolution in writing signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

The minutes of meetings of the Committee will be circulated to all members of the Board, and the Chair will report formally to the Board on its deliberations, decisions and recommendations at the Board meeting following each Committee meeting.

Annual General Meeting ("AGM")

The Committee Chair shall attend the AGM to answer any questions from members on the Committee's activities and areas of responsibility.

Reporting responsibilities

The Committee shall:

- Report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- Make available to members these terms of reference by placing them on the Society's website.

General matters

The Committee shall:

- Consider other duties determined by the Board from time to time.
- Have access to sufficient resources in order to carry out its duties, including access to the Society Secretary as required.
- Be provided with appropriate and timely training, both in the form of an induction programme for new members and on ongoing basis for all members.
- Give due consideration to all applicable laws and regulations.
- Work and liaise as necessary with all other Board Committees.
- At least annually, carry out a Committee Self-Evaluation exercise and review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

Authority

The Board authorises the Committee to:

- Carry out all duties set out in these terms of reference, to have unrestricted access to the Society's documents and information and to obtain, at the Society's expense, appropriate external legal or other independent professional advice on any matter within its terms of reference as it considers necessary.
- Seek any information if requires from any employee of the Society to perform its duties.
- Secure the attendance of external advisers or third parties with relevant experience and expertise at its meetings if it considers this necessary, at the Society's expense.
- Call any employee to be questioned at a Committee meeting as and when required. All employees are directed to co-operate with any request made by the Committee.

Policies for Consideration by Audit & Compliance Committee:

1. Data Protection Policy
2. Speak Up Policy and Statement
3. Compliance Policy and Framework
4. Accounting Policies
5. Conflicts of Interest and Anti-Bribery Policy
6. Health & Safety Policy
7. Regulatory Reporting and Management Information Policy