

SHAWBROOK GROUP PLC

AUDIT COMMITTEE (the “Committee”) TERMS OF REFERENCE

The following are the terms of reference of the Audit Committee of Shawbrook Group plc (the “Company”) and its subsidiaries (together, the “Group”).

1. Membership

- 1.1 There shall be at least three independent Non-Executive Directors, one of whom is the Chair of the Board Risk Committee. At least one member shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The Committee as a whole shall have competence relevant to the banking sector.
- 1.2 The Chair of the board of directors of the Company (the “Board”) shall not be a member of the Committee.
- 1.3 The Board shall appoint the Chair of the Committee (the “Chair”), who shall be an independent non-executive director. In the absence of the Chair and/or an appointed deputy at a Committee meeting, the remaining members present shall elect one of themselves to chair the meeting.
- 1.4 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee in consultation with the Committee Chair. Appointments shall be for a period of up to three years which may be extended for up to two additional three-year periods, provided members continue to be independent.
- 1.5 Only Committee members have the right to attend Committee meetings. However, the Chief Financial Officer, Head of Internal Audit and External Audit lead partner will be invited to attend the meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as appropriate.

2. Secretary

- 2.1 The Company Secretary (or his or her nominee) shall act as the Secretary of the Committee (the “Secretary”) and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of the issues.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two members, one of whom is a member of the Board Risk Committee. Ideally, at least one of the members present in any quorum should have significant, recent and relevant financial experience.

4. Frequency of meetings

- 4.1 The Committee shall meet with sufficient notice and with such frequency and at such times as it may determine. Meetings may be convened by telephone or video conference when necessary.
- 4.2 Outside the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Company's governance, including the chair of the Board, the Chief Executive Officer, the Chief Financial Officer, the External Audit lead partner and the Chief Internal Auditor.

5. Notice of meetings

- 5.1 Meetings of the Committee shall be called by the Secretary at the request of any of its members or at the request of any of the following people if they consider a meeting to be necessary:
- (A) the Chair of the Board;
 - (B) the Chief Executive Officer;
 - (C) the Chief Financial Officer;
 - (D) the External Audit lead partner; or
 - (E) the Chief Internal Auditor.
- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, date and time, together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, and to other attendees as appropriate, no later than five business days before the date of the meeting. The notice period for the meeting may be reduced to consider urgent business on receipt of written consent from the Parent company of the Group. In these cases, 24 hours' notice will be provided with an accompanying agenda and papers for the meeting.

6. Proceedings of the Committee

- 6.1 The Committee may meet separately with any of the Executive Management Team (EMT) without any other EMT members being present.
- 6.2 The Chair will be available to the Secretary and the Chief Financial Officer to discuss any matters of concern in relation to financial reporting matters or compliance with the Group's legal and regulatory obligations, in the widest sense, should this be considered necessary by those individuals.
- 6.3 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 Chair 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 his or her dissent to be noted in the minutes.

7. Minutes of meetings

- 7.1 The Secretary shall minute the proceedings and decisions of all Committee meetings and record the names of those present and in attendance. Any members with conflicts of interest should declare these at the start of the meeting and the Secretary shall note them for the minutes.

8. Authority

- 8.1 The Committee is authorised by the Board to undertake any activity within its terms of reference. The Committee is entitled to sufficient resources from the Group to undertake its duties and may at any time request Internal Audit to carry out such independent reviews as it deems necessary and report back to the Committee.

- 8.2 In particular, the Committee is authorised to:

- (A) seek any information it requires from any employee of the Group to perform its duties;
- (B) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- (C) call any employee or contractor of the Group to be questioned at a meeting of the Committee as and when required; and
- (D) publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

9. Responsibilities

External Audit

- 9.1 The Committee shall:

- (A) consider and make recommendations to the Board, to be recommended to shareholders for approval in relation to the appointment, re-appointment or removal of the External Auditor;
- (B) 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 shall include, but not be limited to:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) key accounting and audit judgements;
 - (iii) the auditor's view of their interactions with senior management and other members of the finance team;
 - (iv) levels of errors identified during the audit;

- (v) effectiveness of the audit process;
 - (vi) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements; and
 - (vii) review of any changes to accounting policies or practices for recommendation to the Board and shareholders for approval.
- 9.2 The Committee shall 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 shall oversee the selection process and ensure that all tendering firms have access as is necessary to information and individuals throughout the process.
- 9.3 If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 9.4 The Committee shall oversee the relationship with the External Auditor, which shall include (but is not limited to):
- (A) negotiating and setting 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 before the commencement of the non-audit services;
 - (D) developing and recommending to the Board the company's formal policy on the provision of non-audit services by the 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;
 - (E) assessing annually their independence and objectivity, taking into account relevant law, UK professional and regulatory requirements and the 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;
 - (F) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;

- (G) agreeing a policy with the Board on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - (H) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, 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;
 - (I) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the External auditor on their own internal quality procedures;
 - (J) 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;
 - (K) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation; and
 - (L) at least annually, formally review the relationship with the External Auditor.
- 9.5 The Committee shall 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.
- 9.6 The Committee shall 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.
- 9.7 The Committee shall also:
- (A) review any representation letter(s) requested by the External Auditor before they are signed by management; and
 - (B) review the management letter and management's response to the auditor's findings and recommendations.

Financial reporting

- 9.8 The Committee shall monitor the Company's financial reporting process, and the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance. It shall 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.

- 9.9 The Committee shall review the annual report and accounts of Shawbrook Bank and Shawbrook Group, and through reports from the executive management and the External Auditor to the Committee, consider (and challenge where necessary):
- (A) compliance with legal, regulatory and statutory requirements;
 - (B) compliance with the requirements of any body by which the activities of the Group or its subsidiaries are regulated;
 - (C) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (D) the appropriateness of accounting 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 Company/Group. Including the recommendation of any changes to the Board and the shareholders for approval;
 - (E) whether the Company has followed appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the External Auditor;
 - (F) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - (G) all material information presented with the financial statements, such as the strategic report and the corporate governance statements relating to the audit and to risk management;
 - (H) significant adjustments resulting from the audit;
 - (I) the going concern assumption; and
 - (J) the Viability Statement.
- 9.10 The Committee shall assess the effectiveness of the Group's financial reporting procedures.
- 9.11 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.
- 9.12 The Committee shall consider any issues raised by the EMT 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

- 9.13 Where requested by the Board, the Committee should review the content of the annual report and accounts and provide advice on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information

necessary for shareholders to assess the Group'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 Code.

Internal Audit

- 9.14 Where applicable, the Committee shall monitor and review the effectiveness of the activities of Internal Audit. The Committee shall carry out an annual assessment of the internal audit function.
- 9.15 The Committee shall:
- (A) approve the appointment or termination of appointment of the Internal Auditor;
 - (B) 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;
 - (C) ensure the Internal Auditor has direct access to the Board chair and to the Audit Committee Chair, providing independence from the executive and accountability to the Committee;
 - (D) review and assess the annual internal audit work plan to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out;
 - (E) meet the Internal Auditor at least once a year, without management present, to discuss their remit and any issues arising from the internal audit reviews;
 - (F) review and monitor management's responsiveness to the Internal Auditor's findings and recommendations;
 - (G) monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system and the work of compliance, finance and the External Auditor; and
 - (H) consider whether an independent, third party review of processes is appropriate.

Whistleblowing

- 9.17 The Committee shall review the adequacy and security of the Group's whistleblowing policy and arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- 9.18 The Chair of the Committee shall be the Group's Whistleblowing Champion.

10. Reporting responsibilities

- 10.1 The Chair 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:
- (A) the significant issues that it considered in relation to the financial statements and how these were addressed;
 - (B) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the External Auditor including the approach taken to such appointment or reappointment, information on the length of tenure of the current audit firm and when a tender was last conducted; and
 - (C) any other issues on which the Board has requested the Committee's opinion.
- 10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Committee shall produce an annual 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 issues were addressed, having regard to matters communicated to it by the auditor;
 - (B) an explanation of how it has assessed the 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;
 - (C) if the External Auditor provides non-audit services, an explanation of how auditor objectivity and independence is safeguarded;
 - (D) all other information requirements set out in the UK Corporate Governance Code; and
 - (E) make any statement of compliance required by law or regulations.
- 10.4 In compiling the reports referred to in 10.1 and 10.3, the Committee should exercise judgement in deciding which of the issues it considers significant in relation to the financial statements, but it 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.

11. Other matters

- 11.1 The Committee shall:

- (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) 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 the requirements of the UK Listing Authority's Listing Rules and Disclosure Guidance and Transparency Rules and any other applicable rules and guidance, as appropriate;
- (C) be responsible for oversight of the co-ordination of the Internal and External Auditor;
- (D) have regard to regulatory requirements including any applicable rules and guidance issued by regulatory bodies;
- (E) oversee any investigation of activities which are within its terms of reference;
- (F) work and liaise as necessary with all other Board 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 for approval.

These terms of reference were reviewed and approved by the Board on 25 November 2021.

APPROVAL RECORD

Approval Body	Approval Date	Details
Shawbrook Group/Bank Board	20 March 2015	Adopted by Board
Shawbrook Group/Bank Board	1 February 2016	Adopted by Board
Shawbrook Group/Bank Board	6 June 2017	Adopted by Board
Shawbrook Group/Bank Board	5 December 2017	Adopted by Board
Shawbrook Group/Bank Board	25 March 2021	Adopted by Board
Shawbrook Group/Bank Board	25 November 2021	Adopted by Board