

**THE CO-OPERATIVE BANK PLC, THE CO-OPERATIVE BANK FINANCE PLC
AND THE CO-OPERATIVE BANK HOLDINGS PLC
(TOGETHER THE “COMPANIES”)
JOINT AUDIT COMMITTEE**

Terms of Reference

1. CONSTITUTION

1.1 The Joint Audit Committee (the ‘**Committee**’) terms of reference of The Co-operative Bank p.l.c. (the ‘**Bank**’), The Co-operative Bank Finance p.l.c. (‘**FinanceCo**’) and The Co-operative Bank Holdings p.l.c. (‘**HoldCo**’) (together, the ‘**Companies**’) were approved by the Boards of the Companies on 28 February 2025. The Committee’s responsibilities are discharged on behalf of HoldCo and its subsidiaries (as appropriate).

The Bank and its subsidiaries are wholly owned by FinanceCo which is wholly owned by HoldCo which is in turn wholly owned by Coventry Building Society (‘the **Society**’, together with its subsidiaries, the ‘**Group**’).

1.2 The purpose of the Committee is to monitor, review and report to the Boards of directors of the Companies on the formal arrangements established by each of the Boards in respect of financial and narrative reporting, the internal controls and risk management systems of HoldCo and its subsidiaries (including, specifically, the Bank’s Risk Management Framework), the internal audit and the external audit processes.

2. MEMBERSHIP AND ATTENDANCE

2.1 The chair of the Committee shall be an Independent Non-Executive Director (other than the Chair of the Boards of the Companies) (the ‘**Chair**’) as appointed by the Boards, having considered the recommendation of the Values & Ethics and Nomination Committee of the Bank, and in alignment with the position set by the Group Board.

2.2 Membership of the Committee shall comprise a minimum of three and maximum of four members, who shall be Independent Non-Executive Directors, including the Chair and Chair of the Bank’s Risk Committee, appointed by the Boards, taking into account the recommendations of the Values & Ethics and Nomination Committee of the Bank, in consultation with the Chair and in alignment with the position set by the Group Board. The Committee, as a whole, shall have competence relevant to the sector in which the Group operates and at least one member shall have recent and relevant financial experience and a professional qualification from one of the professional accounting bodies.

2.3 Only the Chair and members of the Committee have the right to attend and vote at Committee meetings. However, in order to fulfil the Committee’s role, the Chair would normally be expected to invite the Bank’s Chief Executive Officer, the Bank’s Chief Financial Officer, the Bank’s Chief Risk Officer and the Group’s Chief Internal Auditor, as well as other executives of the Bank, a representative of the external auditor (the ‘**External Auditor**’) and, where appropriate, external advisers of any of the Companies, to be in attendance for all or part of each meeting, as and when the Chair determines appropriate or

necessary. Such attendees are not members of the Committee and do not perform the role of members of the Committee.

- 2.4 Other Non-Executive Directors of the Bank Board or the Group Board, external advisors and representatives from relevant business functions of the Bank may be invited to attend all or part of any meeting as and when appropriate.
- 2.5 In the absence of the Chair and/or an appointed deputy, the remaining members present shall elect one of the members to chair the meeting.
- 2.6 Appointments to the Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.

3. SECRETARY

- 3.1 The Company Secretary of the Bank, or an alternate selected by the Chair, shall act as the secretary of the Committee (the '**Secretary**').
- 3.2 The Secretary should ensure that the Committee receives information and papers in a timely manner to support full consideration of the issues, the agenda having been approved by the Chair in advance.

4. QUORUM AND VOTING

- 4.1 The quorum necessary for the transaction of business shall be two members both of whom are present throughout the meeting.
- 4.2 In the event of equal votes, the Chair of the Committee shall have a casting vote.
- 4.3 A member may be present for the purpose of paragraph 4.1 in person, by telephone, by videoconference or by other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously. A duly convened meeting of the Committee 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.
- 4.4 In alignment with the Articles (resolutions without meetings), a resolution which is signed or approved by all the directors entitled to vote (members of the Committee) on that resolution (and whose vote would have been counted) shall be as valid and effectual as if it had been passed at a meeting duly called and constituted.

5. FREQUENCY OF MEETINGS

- 5.1 The Committee shall meet at least four times per financial year.
- 5.2 Outside of the formal meeting programme, the Chair will maintain a dialogue with key individuals involved in the Bank's governance, including the chair of the Boards, the Bank's Chief Executive Officer, the Bank's Chief Financial Officer, the External Audit lead partner, the Bank's Chief Internal Auditor and relevant executives from the Bank.

- 5.3 The Group's Chief Internal Auditor shall have unrestricted access to the Chair to raise any matter directly and they shall meet at least once a year without the presence of management.
- 5.4 The Chair shall meet with the Bank's Director of Compliance at least once a year without the presence of management.
- 5.5 The Committee shall meet, at least once per year, with executive management without the External Auditors being present.

6. NOTICE OF MEETINGS

- 6.1 Meetings of the Committee shall be convened by the Secretary at the request of any of the Committee's members, the chair of the Boards, the External Audit lead partner or the Bank's Chief Internal Auditor.
- 6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, and any other person required to attend, in a timely manner to enable full and proper consideration of issues.

7. MINUTES OF MEETINGS

- 7.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of the Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be circulated to all other members of the Boards unless it would be inappropriate to do so in the opinion of the Chair.

8. DUTIES

The Committee should carry out the duties below for HoldCo and its subsidiaries as appropriate.

8.1 Financial Reporting

- 8.1.1 The Committee shall review, monitor and challenge the integrity, clarity and completeness of the Companies' financial statements, including, as applicable, their annual and half-yearly reports, interim management statements, Pillar III disclosures performance and any other formal announcement relating to their financial performance, reviewing and reporting to each Board as required on significant financial reporting issues and judgements which they contain, having regard to matters communicated to it by the auditor.
- 8.1.2 The Committee should consider key matters of its own initiative rather than relying solely on the work of the External Auditor. It must satisfy itself that the sources of assurance and information it has used to carry out its role to review, monitor and provide assurance or recommendations to the Board are sufficient and objective.

8.1.3 In particular, the Committee shall review and challenge where necessary:

- 8.1.3.1 the consistency of, and any changes to, significant accounting policies, accounting standards and practices adopted by the Companies both on a year on year basis and across HoldCo and its subsidiaries;
- 8.1.3.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.1.3.3 whether HoldCo and its subsidiaries has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 8.1.3.4 any significant adjustments and non-adjusted items arising from the audit including in connection with non-adjusted items;
- 8.1.3.5 the assumptions or qualifications in support of the going concern statement;
- 8.1.3.6 the clarity and completeness of disclosures in the Companies' financial reports and the context in which statements are made; and
- 8.1.3.7 all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and risk management.

8.2 **Narrative Reporting**

8.2.1 The Committee should review the content of the annual report and accounts and advise the Boards on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for the shareholder to assess HoldCo and its subsidiaries' performance, business model and strategy.

8.2.2 The Committee should review the content of the sustainability report and recommend to the Boards for approval.

8.3 **Internal Controls and Risk Management Systems**

The Committee shall:

8.3.1 review and challenge the adequacy and effectiveness of HoldCo and its subsidiaries internal financial controls and internal control and risk management systems;

8.3.2 review and approve the statements to be included in the annual report concerning internal controls and risk management;

- 8.3.3 review HoldCo and its subsidiaries arrangements for the deterrence, detection, prevention and investigation of fraud and receive and consider special investigation reports relating to fraud or major breakdowns in internal controls or major errors and omissions including remedial action by management;
- 8.3.4 review annual reports related to 8.3.1 and 8.3.2 above produced by the Bank's Internal Audit function and the Bank's External Auditors to receive assurance that the Bank's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems are effective; and
- 8.3.5 liaise with the Risk Committee of the Bank in respect of the systems and controls used to support the preparation of the ICAAP, ILAAP and other regulatory submissions.

8.4 Whistleblowing

The Committee shall:

- 8.4.1 review and challenge the adequacy, effectiveness and security of the Bank's arrangements, policies and procedures for the protection of its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and annually review and approve the Bank's Raising a Concern at Work (Whistleblowing) policy. The Committee shall ensure that these arrangements provide protection against the detrimental treatment of individuals who raise concerns and allow proportionate, autonomous and independent investigation of such matters and appropriate follow up action;
- 8.4.2 Ensure that any such whistleblowing matter is properly investigated as required under the Raising a Concern at Work (Whistleblowing) policy and relevant regulatory requirements; and
- 8.4.3 on an annual basis review a report from the Bank's Director of Risk Governance, Regulatory Affairs and Prudential Oversight which enables the Committee to analyse any concerns raised via the Bank's Concern at Work reporting mechanisms.

8.5 Internal Audit

The Committee shall:

- 8.5.1 review and approve the Internal Audit function's role and mandate through reviewing and approving the Internal Audit charter, in particular reviewing and ensuring the function has the necessary resources and access to information to enable it to fulfil its mandate, has unrestricted scope and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- 8.5.2 ensure the Group's Chief Internal Auditor has direct access to the chair of the Boards and to the Chair, and is accountable to the Committee;

- 8.5.3 ensure that the Internal Audit function has a reporting line that enables it to be independent of the executive and so able to exercise independent judgement;
- 8.5.4 review, challenge and assess the annual internal audit work plan, including its alignment to the key risks of the business, and the reasons for any significant change or delay to this plan;
- 8.5.5 ensure that the Bank's Internal Audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its internal audit plan;
- 8.5.6 receive reports on the results of the Bank's Internal Audit Function's work, together with findings and recommendations for improvement, ensuring the Boards of the Companies are made aware of significant issues;
- 8.5.7 review and monitor management's responsiveness to the Group Chief Internal Auditor's findings and recommendations;
- 8.5.8 commission an independent, third party review of the effectiveness and processes of the Internal Audit function at least every five years;
- 8.5.9 meet with the Bank's Chief Internal Auditor at least once a year without the presence of management and include discussion of the effectiveness of the Internal Audit Function; and
- 8.5.10 support the Chair in safeguarding the independence of, overseeing the performance of, and monitoring and annually reviewing the effectiveness of, the Bank's Internal Audit Function, in the context of the Bank's overall risk management system and in accordance with SYSC 6.2 (Internal Audit). The annual effectiveness review should determine whether the quality, experience and expertise of the Internal Audit Function is appropriate.

8.6 External Audit

The Committee shall:

- 8.6.1 aligned with the Group position and following Group recommendation, oversee and ratify the external audit arrangements of HoldCo and its subsidiaries, including approving the fee and scope of the external audit, inputting into the external audit tender process managed by the Group, and making formal recommendations to the Boards in accordance with applicable legislation, in relation to the appointment, re-appointment and removal of the External Auditor;
- 8.6.2 if any or all of the Boards do not accept the Committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the Committee explaining the recommendation and should set out reasons why the Committee has taken a different position;
- 8.6.3 ensure that at least once every ten years the audit services contract is put out to tender;

- 8.6.4 develop and oversee the selection process for the appointment of the audit firm in accordance with applicable Corporate Code and regulatory requirements, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- 8.6.5 if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.6.6 oversee the relationship with the External Auditor including (but not limited to):
 - 8.6.6.1 approving recommendations on their remuneration, including both fees for audit and non-audit services (in accordance with the policy on the supply of non-audit services);
 - 8.6.6.2 approval of their terms of engagement (including any engagement letter issued at the start of each audit and the scope of the audit) and ensuring that the key partner assignment is rotated at appropriate intervals;
 - 8.6.6.3 assessing and reviewing annually their independence and objectivity in accordance with applicable legislation taking into account relevant professional and regulatory requirements;
 - 8.6.6.4 agreeing with the Boards a policy on the employment of former employees of the External Auditor, and monitoring the implementation of this policy;
 - 8.6.6.5 monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by HoldCo and its subsidiaries compared to the overall fee income of the firm, office and partner and other related requirements;
 - 8.6.6.6 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;
 - 8.6.6.7 seeking to ensure co-ordination of the External Auditor with the activities of the Bank's Internal Audit Function;
- 8.6.7 meet regularly with the External Auditor and at least once a year, without management being present to discuss the external auditor's remit and any issues arising from the audit;
- 8.6.8 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;
- 8.6.9 review the findings of the audit with the External Auditor. This shall include but not be limited to, the following:

- 8.6.9.1 a discussion of any major issues which arose during the audit;
- 8.6.9.2 how risks to audit quality were addressed;
- 8.6.9.3 the External Auditor's view of their interactions with senior management;
- 8.6.9.4 key accounting and audit judgements;
- 8.6.9.5 levels of errors identified during the audit (which shall include a report from the external auditor on their own internal quality procedures); and
- 8.6.9.6 the effectiveness of the audit process.

The Committee shall also:

- 8.6.10 review any representation letter(s) requested by the External Auditor and recommend their signing to the Boards;
- 8.6.11 review the management letters for the Companies and management's response to the External Auditor's findings, and monitor the implementation of recommendations where appropriate; and
- 8.6.12 agree and monitor the policy on the supply of non-audit services by the external auditor specifying the types of non-audit service for which use of the external auditor is pre-approved and the requirement to authorise provision of any non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter. Reporting of the use of non-audit services should include those subject to pre-approval.

9. REPORTING RESPONSIBILITIES

9.1 The Chair shall report formally to the Boards on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Boards on how it has discharged its responsibilities.

9.1.1 The Committee shall make whatever recommendations to the Boards it deems appropriate on any area within its remit where action or improvement is needed.

9.1.2 The Committee shall compile a report on its activities to be included in HoldCo and its subsidiaries' annual report. The report should describe the work of the Committee, including:

9.1.2.1 the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;

9.1.2.2 an explanation of how the Committee has addressed the independence and effectiveness of the external audit

process and the approach taken to the appointment or 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;

9.1.2.3 an explanation of how auditor independence and objectivity are safeguarded if the external auditor provided non-audit services, having regard to matters communicated to it by the auditor; and

9.1.2.4 in compiling the reports referred to above, 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 three of those matters that have informed the Board's assessment of whether the Company is a going concern. The report to the shareholder need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

10. OTHER MATTERS

The Committee shall:

- 10.1 consider how the matters for which it is responsible could impact customers, including creating good customer outcomes and mitigating customer harm;
- 10.2 assist the Senior Management Function ("**SMF**") role holders of the Committee in fulfilling their prescribed responsibilities;
- 10.3 where matters are being discussed in relation to a prescribed responsibility of the Committee, ensure the relevant SMF role holder attends and participates in the discussion, or if unable to attend, ensure that they are suitably represented;
- 10.4 have access to sufficient resources in order to carry out its duties, including access to Company Secretariat for assistance as required;
- 10.5 give due consideration to laws, regulations, the requirements of the UK Listing Authority's Rules, the Disclosure and Transparency Rules and any other applicable competent authority, regulation or guidance, as appropriate;
- 10.6 work and liaise as necessary with all other Board committees ensuring interaction between committees and with the Board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to the Risk Committee; and
- 10.7 arrange for periodic reviews of its own performance and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Boards.

11. AUTHORITY

The Committee is authorised to:

- 11.1 seek any information it requires from any employee of the Bank in order to perform its duties;
- 11.2 commission and oversee any review or investigation of activities which are within its terms of reference;
- 11.3 engage any firm of accountants, lawyers, or other professionals, as the Committee sees fit, to provide independent advice and to assist in any review or investigation of such matters within its terms of reference as the Committee deems appropriate, at the Bank's expense;
- 11.4 delegate responsibilities to other committees to facilitate the effective carrying out of its responsibilities; and
- 11.5 have the right to publish in the Group's annual report details of any issues that cannot be resolved between the Committee and the Boards.