YORKSHIRE BUILDING SOCIETY INTERNAL AUDIT CHARTER

Purpose

The purpose of Internal Audit (IA) is to provide an independent and objective opinion to the Board of Directors ("the Board") on the adequacy and functioning of the system of internal control for Yorkshire Building Society ("the Society"). Internal auditing strengthens the organisation's ability to create, protect, and sustain value by providing the Board and Management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Specifically, this should cover whether the Society's framework for risk management, control, and governance processes is adequate and functioning as intended and in a manner that ensures:

- The Society's assets, reputation and sustainability are adequately protected by its system of internal control.
- All significant risks are appropriately identified, reported to the Board and the Society's Senior Leadership Team and effectively controlled.
- Significant financial, management, and operating information is accurate, reliable and delivered in a timely manner.
- The Society's actions comply with policies, standards, procedures, and applicable laws and regulations.
- Products, services and processes result in good outcomes for the Society's retail customers.
- Programmes, plans and objectives are achieved in accordance with specifications and approvals and effective future control frameworks.
- Society activities are properly recorded, and those records are appropriately retained.

Professional standards

IA aims to perform its activities in conformance with the mandatory elements of the Institute of Internal Auditors (IIA)'s Global Internal Audit Standards. These Standards are set out in the Standards' five domains:

- The Purpose of Internal Auditing;
- Ethics & Professionalism;
- Governing the Internal Audit Function;
- Managing the Internal Audit Function; and
- Performing Internal Audit Services.

The IA function also performs its activities in line with the Topical Requirements and supplementary Global Guidance issued by the IIA, and the Principles laid out in the Chartered Institute of Internal Auditors' Internal Audit Code of Practice.

Accountability

The Chief Internal Audit Officer, in the discharge of their duties, shall be accountable to the Board through the Audit Committee (AC) to:

- Provide an assessment on the adequacy and effectiveness of the Society's processes for controlling its activities and managing its risks.
- Form an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assess how effectively these risks are being managed.
- Report on significant control issues that could have an adverse impact on the achievement of Society goals and objectives.
- Report on Management's progress in addressing significant control issues.
- Provide an overall annual opinion on the effectiveness of internal controls.

Confidential

- Provide an analysis of the Division's resourcing and budgetary needs, for approval by Audit Committee.
- Report on the progress of the IA function in meeting its functional objectives and on the adequacy of its resources using appropriate Key Performance Indicators.
- Liaise with the Society's regulators, sharing information with them that is relevant to their responsibilities.

The Chief Internal Audit Officer will periodically meet with, and provide information to Audit Committee and Management, to enable them to understand the purpose of Internal Audit and provide effective support to the Division.

Independence

IA operates as the "third line of defence" in the Society's risk management framework. The "first line of defence" includes operational business functions and their oversight bodies, and the "second line of defence" includes risk management functions. The "first line of defence" is responsible for managing the risks they take or encounter within their areas and the "second line of defence" is accountable for ensuring that they are doing that in a competent manner.

IA will remain free to decide which audits to perform, and the scope, frequency and timing of its work, (albeit these decisions are subject to final approval by Audit Committee), and the procedures it follows and the content of its reports. IA will make a risk-based decision as to which areas should be included in the audit plan – it does not necessarily have to cover all of the potential scope areas every year.

The Chief Internal Audit Officer and IA colleagues will not perform operational management duties in or have any authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment. Colleagues who have transferred into IA from other areas of the Society will not perform IA activities in relation to business activity for which they have had responsibility within the previous twelve months.

The Chief Internal Audit Officer and internal audit colleagues will not direct the activities of any organisation employee not employed by IA except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Colleagues in IA report to the Chief Internal Audit Officer who has a primary reporting line to the AC Chair and a secondary administrative reporting line to the Chief Executive. There will remain in place unrestricted access between the Board Chair, the AC Chair and the Chief Internal Audit Officer. The Chief Internal Audit Officer is a member of the Society's Executive Committee (ExCo), but is not individually responsible for decision-making except in respect to the Internal Audit Division. Board has sufficient oversight of ExCo to ensure the Chief Internal Audit Officer's independence is not impaired.

The Chief Internal Audit Officer will confirm to the AC, at least annually, the continued independence of IA within the Society.

Responsibilities

The Society seeks to conform to the Global Internal Audit Standards, including the responsibilities placed on the Board and Management in respect of Internal Audit.

The Board delegates its responsibilities for overseeing the effectiveness of Internal Audit to Audit Committee. Audit Committee determines Internal Audit's purpose and role, and ensures Internal Audit has unrestricted scope and adequate standing in the Society. Audit Committee oversight ensures Internal Audit operates independently from Management and has adequate resources and appropriate access to information to enable it to perform its function effectively.

Management works with Board to ensure Internal Audit is positioned at a level within the organisation that enables it to perform its services and responsibilities, as directed by Audit Committee. Management also ensures Internal Audit has unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill its purpose.

Management has the responsibility for internal control and risk management of the business. IA has responsibility for bringing a systematic and disciplined approach to evaluating the effectiveness of the risk management, control and governance processes. Through its activities, IA will provide Management with information to help Management improve its risk management, control and governance processes.

In order to achieve this, the Chief Internal Audit Officer and IA colleagues will:

- Develop a flexible audit plan using an appropriate risk-based methodology. In developing the audit plan, IA will seek the views of the AC and the Board on its content.
- Implement the audit plan, as approved by the AC, including, as appropriate, any special tasks or projects requested by the Board or the AC or their respective Chairs. This might include audit activity requested by a regulator.
- Maintain a professional audit function with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter and deliver the audit plan.
- Evaluate and assess emerging risks, including those related to projects that are intended to help the Society achieve its strategic priorities and/or deliver new or changed services and processes. IA should determine whether corporate events are sufficiently high risk to warrant involvement on a real time basis.
- Perform audit activity enabling IA to evaluate the completeness, accuracy, relevance and timeliness of information that is presented to the Board and other decision-making bodies.
- Perform audit activity enabling IA to evaluate whether the Board has defined, agreed and reviewed its appetite for risk and whether risk appetite is embedded and reflected in the Society's activities, limits and reporting. IA will report to the Audit Committee its conclusions on whether the Society's risk appetite framework is being adhered to.
- Perform audit activity to enable IA to evaluate the design and operating effectiveness of the Society's internal governance structures and processes.
- Perform audit activity enabling IA to evaluate whether the Society delivers good outcomes for its retail customers and in its interaction with relevant markets. This may include, but is not restricted to, the design and control of products, services and supporting processes in line with customer interests and conduct regulation.
- Perform audit activity enabling IA to evaluate whether processes, decisions taken, risks, controls and observed behaviours are in line with the Society's expected behaviours.
- Perform audit activity enabling IA to evaluate the adequacy and effectiveness of both “first line of defence” and “second line of defence” functions in discharging their responsibilities within the Society's risk management model. This assessment will include both the processes used and the quality of first and second line of defence work.
- Perform audit activity enabling IA to evaluate the design and operational effectiveness of the Society's policies, processes and procedures by assessing the actual outcomes resulting from their application against the Society's expected behaviours, ethics, risk appetite and policies.
- Review mandatory compliance certificates and Management attestations to third parties as required.
- Supervise and review audit activity, identifying areas for improvement and putting in place suitable action plans.
- For the avoidance of doubt, IA audit activity will include evaluating how the Society models and manages its capital, liquidity, credit, operational and regulatory risks. IA will also decide from time to time whether audit activity is required with regards to significant corporate transactions including, but not limited to, decisions to use outsourcing, and acquisitions or divestments.
- Issue periodic reports to the AC and Management summarising results of audit activities. These reports will include analysis of the causes of significant control weaknesses identified, the identification of common themes from audit activity, and opinion on the adequacy of Management’s own reporting of risk management.
- Ensure that corrective action is agreed with Management based on an acceptable and practicable timeframe.

- Perform audit activity to review any post-mortem and 'lessons learned' analysis following the Society suffering a significant adverse event. This review activity will assess the roles of both the first and second lines of defence and IA's own role.
- Perform formal verification of the actions taken by Management in response to medium or high-risk findings included in audit reports.
- Provide reporting, as required, to the Remuneration Committee on any significant control issues.
- Seek approval from the AC for significant changes to audit working practices.
- Develop and maintain a Quality Assurance and Improvement Programme, for approval by the AC, and provide the AC with reports at least annually setting out the results of internal quality assurance reviews undertaken on the activities of IA.
- Liaise with external auditors to facilitate suitable assurance over risk management across the Society.

For the avoidance of doubt, Internal Audit will only perform consultancy engagements as set out in the audit plan, or as otherwise approved by Audit Committee.

Authority

The Chief Internal Audit Officer and IA colleagues are authorised to:

- Have full, unrestricted and timely access to all functions, systems, records, property, and colleagues, at all times adhering to the Society's relevant policies and procedures. (A holder of highly confidential or sensitive information is entitled to restrict access to the Chief Internal Audit Officer alone).
- Have an enterprise-wide remit and mandate, which includes assessing the adequacy and effectiveness of the Risk Management, Compliance, and Finance functions.
- Have the right to attend and observe any executive committee meetings or other management decision-making fora.
- Have full and free access to the AC and its Chair.
- Although it is not the role of IA to second guess the decisions made by the Board, its scope should include information presented to the Board for strategic and operational decision making.
- Allocate resources, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of Society colleagues in the execution of IA activities.

Changes to the Charter

The Internal Audit Charter is periodically reviewed by Audit Committee to ensure it remains fit for purpose. Circumstances that may lead to a revision to the Charter include, a significant reorganisation within the Society or new laws or regulations that affect the nature or scope of Internal Audit services. The Charter will only be amended with the express approval of the Committee.

Periodic assessment

The Chief Internal Audit Officer is responsible for periodically providing to the AC a self-assessment of IA with regards to its consistency with this Charter.

The Chief Internal Audit Officer is also responsible for providing the AC with an independent external assessment of IA's quality and effectiveness at least every five years.

Approved by the Audit Committee on 19th September 2026