XPS PENSIONS GROUP PLC
TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

1. CONSTITUTION

1.1 The audit and risk committee (the "**Committee**") was constituted as a committee of the board of directors (the "**Board**") of XPS Pensions Group plc (the "**Company**") at a full meeting of the Board held on 24 January 2017 in accordance with the articles of association of the Company.

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

1.3 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 appointed secretary of the Committee, including, without limitation, the establishment of sub-committees which are to report back to the Committee.

2. ROLE

The role of the Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the:

(a) integrity of the financial information provided to shareholders;

(b) Company's system of internal controls and risk management;

(c) internal and external audit process and auditors; and

(d) processes for compliance with laws, regulations and ethical codes of practice.

3. DUTIES AND TERMS OF REFERENCE

The Committee shall carry out the duties set out below for the Company and its subsidiaries (the "**Group**"), as appropriate.

3.1 Financial reporting

The Committee shall:

(a) monitor the integrity of the financial statements of the Company and the Group, including annual and half-yearly reports, any preliminary results announcements, and any other formal reports or announcement relating to its financial performance;

(b) review and report to the Board significant financial reporting issues and judgements which the financial statements, interim reports, preliminary announcements and related formal statements contain having regard to matters communicated to it by the external auditor and focussing particularly on:

(i) any changes in accounting policies;

(ii) major judgmental areas;

(iii) significant adjustments resulting from the audit;

(iv) the going concern assumption;

(v) compliance with accounting standards, taking into account the view of the external auditor;

(vi) compliance with legal and regulatory requirements (in particular the requirements of the Financial Conduct Authority ("**FCA**")); and

(vii) business review and corporate governance statements relating to audit and risk management,

provided that such monitoring and review is not inconsistent with any requirement for prompt reporting under the FCA's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules sourcebook;

(c) review and challenge where necessary:

(i) the consistency, quality and appropriateness of the accounting policies, including any changes to accounting policies both on a year on year basis and across the Company and the Group;

(ii) the methods used to account for significant or unusual transactions where different approaches are possible;

(iii) whether the Company has adopted appropriate accounting standards and made appropriate estimates and judgements, taking into account the external auditor's views;

(iv) the clarity and completeness of financial reporting disclosures, any changes to those disclosures, and the context in which those disclosures are made, including the review of any correspondence between the Company and the external auditor;

(v) the methods used to account for significant or unusual transactions (including any off balance sheet arrangements) where different approaches are possible;

(vi) any legal matters which have a significant impact on financial reporting;

(vii) significant adjustments resulting from the external audit; and

(viii) the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period);

(d) monitor compliance with financial reporting standards and any recognised investment exchange and other financial and governance reporting requirements (insofar as it relates to audit and risk management);

(e) review all material information presented with the financial statements, including the strategic report and the corporate governance statements, insofar as it relates to audit and risk management;

(f) where applicable review the disclosures in the annual report concerning the Group's pension funds if not reviewed by the Board as a whole; and

(g) where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the Board.

3.2 **Narrative reporting**

Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company'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.

3.3 **Risk management systems and internal controls**

The Committee shall:

(a) **Risk management and internal controls**

(i) on behalf of the Board (which retains overall responsibility for risk management), review and monitor the Company's risk management system and carry out a review of its effectiveness, and review and approve the statements to be included in the annual report concerning risk management, including the assessment of the principal risks and emerging risks facing the Company;

(ii) on behalf of the Board, ensure that a robust assessment of the principal risks facing the Company has been undertaken (including those risks that would threaten its business model, future performance, solvency or liquidity) and provide advice on the management and mitigation of those risks;

(iii) oversee and advise the Board on the Company's and the Group's current risk exposure and future risk strategy and consider how the remuneration of executives shapes their view of risk;

(iv) oversee and challenge the design and execution of stress and scenario testing of the Group's business and strategic plans and receive reports on the outcomes that explain the resultant impact on the adequacy of its economic and regulatory capital requirements;

(v) oversee and challenge due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available;

(vi) review on behalf of the Board the capital adequacy of the Group to fulfil its regulatory obligations;

(vii) review and monitor management's responsiveness to the findings and recommendations of the Head of Compliance;

(viii) review and monitor the adequacy and effectiveness of the Group's arrangements for cyber and information security, including management's assessment of related risks, controls, incidents and remedial actions;

(ix) review the Company's risk management and internal control framework, including financial, operational, reporting and compliance controls, and carry out, at least annually, a review of its effectiveness. The Committee shall support the Board in approving the statements to be included in the annual report concerning the framework, including:
  (A) a description of how the Board has monitored and reviewed the effectiveness of the framework;
  (B) a declaration as to whether the Company's material controls were effective as at the balance sheet date; and
  (C) a description of any material controls that have not operated effectively as at the balance sheet date, the actions taken or proposed to improve them, and any actions taken to address previously reported issues;

(x) review the appropriateness of the Company's values, culture and reward systems for managing risk and internal controls, and the extent to which the culture and values are embedded at all levels of the Company;

(xi) evaluate whether or not management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk ensuring employees within the Group have an understanding of their respective roles and responsibilities;

(xii) review periodically and monitor the Group's procedures for ensuring compliance with regulatory and financial reporting requirements and its relationship with the regulatory authorities;

(xiii) review the Group's arrangement for the deterrence, detection, prevention and investigation of fraud and to 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; and

(xiv) review on a regular basis pending and threatened litigation affecting the Group;

(b) **On-going viability**

where requested by the Board, provide advice on how, taking into account the Company's position and principal risks, the Company's prospects have been assessed, over what period and why the period is regarded as appropriate. The Committee shall also advise on whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the said period, drawing attention to any qualifications or assumptions as necessary;

(c) **Management and internal and external audit reports**

(i) review the assurance reports from management on the effectiveness of the internal control and risk management systems and from the internal audit (if in place), the external auditor and others on the operational effectiveness of matters related to risk and control. The Committee should satisfy itself that these sources of assurance and information are sufficient and objective and are enough to enable the Board to satisfy itself that they are operating effectively;

(ii) review the timeliness of, and reports on, the effectiveness of corrective action taken by management in response to any material external or internal audit recommendation;

(d) **Disclosures**

(i) consider any necessary disclosure implications of the process that has been applied by the Board to deal with material internal control aspects of any significant problems disclosed in the annual report and accounts; and

(ii) consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and management's response, and also consider whether any such failings or weaknesses are significant and therefore require disclosure, the basis and accuracy of explanations given as to what actions are being taken to address them, and whether the level of disclosure of such actions is appropriate.

3.4 **Internal audit**

The Committee shall consider at least annually the need for an internal audit function, make any recommendation to the Board and explain the reasons for the absence of such a function to the Board for disclosure in the annual report. The Committee shall assess whether the processes applied by management to ensure that the internal controls systems are functioning as intended provide sufficient and objective assurance. The Committee shall

oversee the effectiveness of the Group's internal audit arrangements, whether delivered through an in-house, outsourced or co-sourced model. The Committee shall:

(a) approve the appointment and removal of the head of the internal audit function where such role exists;

(b) review and approve the remit of the internal audit arranagement and assess and ensure that the provider or function has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with appropriate professional standards. The Committee shall also ensure that the provider or function has adequate standing and is free from management or other restrictions;

(c) ensure the internal audit provider or function has direct access to the Board chairperson and to the Committee and is accountable to the Committee;

(d) review and assess the annual internal audit plan and be advised of the reasons for any change or delay in the plan and ensure co-ordination between the internal and external auditors;

(e) receive a report on the results of the internal auditor's work on a periodic basis;

(f) review and monitor management's responsiveness to the internal auditors' findings and recommendations;

(g) monitor and review the effectiveness of the Company's internal audit provider or function in the context of the Company's overall risk management system and the work of compliance, finance and the external auditor, ensuring that the internal audit plan is aligned to the business's key risks;

(h) ensure that there is open communication between the different functions and that the internal function evaluates the effectiveness of risk, compliance and finance functions as part of its audit plan;

(i) where such role exists, ensure that the Committee meets with the head of internal audit, without management present, at least once per year; and

(j) consider whether an independent, third party review of internal audit effectiveness and processes is required.

3.5 **External audit**

The Committee shall, taking into account any applicable law and legislation:

(a) **Appointment, reappointment and resignation**

(i) consider and make recommendations to the Board, to be put to shareholders for approval at the Company's AGM, on the appointment, reappointment or removal of the Company's external auditor;

(ii) develop and oversee the selection procedure for the appointment of the audit firm in accordance with applicable Code and regulatory, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;

(iii) if any auditor resigns, investigate the issues leading to this and decide whether any action is required; and

(iv) evaluate 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 the auditor from the market in that evaluation;

(b) **Terms of engagement**

oversee the relationship with the external auditor and negotiate and agree their terms of engagement, including any engagement letter issued at the start of each audit, the scope of the audit and, in consultation with the executive directors, agree their remuneration (including fees for both the audit and non-audit services) to ensure that the level of fees is appropriate to enable an effective and high quality audit to be undertaken;

(c) **Independence and expertise**

(i) review and assess on an annual basis:

(A) the external auditor's independence and objectivity taking into account the relevant law, regulation, the Ethical Standard and other professional requirements and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate these threats including the provision of any non-audit services; and

(B) 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; and

(ii) satisfy itself that there are no relationships between the Company and the auditor (in the ordinary course of business) which could adversely affect the auditor's independence and objectivity and, at least annually, seek information from the external audit firm about policies and processes for maintaining independence and monitoring compliance;

(d) **Non-audit services**

(i) ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity, satisfying itself that there are no relationships between the auditor and the Company outside the ordinary course of business (including the level of non-audit fees) that could adversely affect the auditor's independence and objectivity, or the audit process; and

(ii) keep the policy for the provision of non-audit services under review;

(iii) review spend on non-audit fees over £25,000 per annum;

(e) **Audit cycle**

(i) review and approve the annual audit plan at the start of the audit cycle and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;

(ii) 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 the executive directors or management being present, to review the findings of the audit including (but not limited to) any major resolved or unresolved issues that arose during the audit, key accounting and audit judgements and levels of errors identified during the audit;

(iii) consider communications from the external auditor on audit planning and findings on material weaknesses in accounting and internal control systems that come to the auditor's attention, including a review of material items of correspondence between the Company and the external auditor;

(iv) obtain from the external auditor a memorandum describing such “relevant audit information” as may be required by the external auditor from time to time for the purposes of any statutory directors’ statement in connection therewith, and institute such procedures as it sees fit to enable the directors to provide such statement;

(v) review any representation letter(s) requested by the external auditor before they are signed by management and consider whether, based on its knowledge, the information provided is complete and appropriate;

(vi) review, prior to its consideration by the Board, the external auditor's report to the directors and their management letter, including management's response to the auditor's findings and recommendations; and

(vii) at the end of the audit cycle, assess the effectiveness of the audit process including:

(A) reviewing whether the auditor has met the agreed audit plan and whether the external auditor identified any risks to audit quality and, if so, how these were addressed;

(B) understanding reasons for changes to the audit plan;

(C) considering the external auditor's robustness and perceptiveness in handling key accounting and audit judgements and responding to the Committee's questions;

(D) obtaining feedback from key people on the conduct of the audit; and

(E) reviewing and monitoring the content of the external auditor's management letter and reporting to the Board on the effectiveness of the audit process;

(f) **Other matters**

(i) be responsible for the co-ordination between the activities of the external auditor and any internal audit function;

(ii) agree with the Board the Company's policy on employment of former employees of the Company's external auditor taking into account the Ethical Standard and legal requirements and monitor the implementation of this policy; and

(iii) monitor the external auditor's compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of the audit partner and staff, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements.

3.6 **Fraud**

The Committee shall annually review the Company's procedures for preventing and detecting fraud.

3.7 **Compliance and speaking up**

The Committee shall:

(a) review the Company's systems and controls for ethical behaviour and the prevention of bribery and modern slavery and receive reports on non-compliance;

(b) review the adequacy and security of the Company's arrangements for its employees, contractors and external parties 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 follow-up action;

(c) review regular reports from the money laundering reporting officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;

(d) review the Company's procedures for complying with FCA regulations and authorisations including capital requirements in respect of FCA regulated entities within the Group;

(e) review the findings of any examinations by the FCA or other regulatory body with oversight over the Group; and

(f) keep under review the adequacy and effectiveness of the Company's compliance function.

4. MEMBERSHIP

4.1 The Committee shall comprise a minimum of three members and the Committee as a whole shall have competence relevant to the industry in which the Company operates. Each Committee member shall be an independent non-executive director as determined by the Board (in accordance with the principles of the UK Corporate Governance Code (the 'Code')), at least one of whom shall have recent and relevant experience working with financial and accounting matters. The Chair of the Board of Directors shall not be a member of the Committee, also in accordance with the Code.

4.2 The Board shall appoint members of the Committee, on the recommendation of the Nomination Committee, in consultation with the Committee chairperson. It is recognised that the number of members may fall below three for temporary periods due to departures pending new appointments.

4.3 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.

4.4 The Board shall appoint the chairperson of the Committee from among the independent non-executive directors. In the absence of the Committee chairperson and/or an appointed deputy, the remaining members present at a meeting shall elect one of their number present to chair the meeting.

4.5 The Committee chairperson shall review membership of the Committee annually, as part of the annual performance evaluation of the Committee.

4.6 The company secretary, or such other officer, employee or adviser of the Company as may be nominated from time to time by the Committee, shall act as the secretary of the Committee and provide all necessary support to the Committee, including assisting the Committee chairperson in planning the Committee's work, drawing up Committee agendas, 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.

5. ATTENDANCE AT MEETINGS

5.1 The Committee shall meet at least three times a year at appropriate times in the Company's financial reporting and audit cycle and otherwise as required.

5.2 Outside of the formal meeting programme, the Committee chairperson shall maintain a dialogue with key individuals involved in the Company's governance and compliance, including the Board chairperson, the chief executive officer(s), the chief financial officer, the

external audit lead partner and the Head of Risk.

5.3 Only Committee members have the right to attend and vote at Committee meetings. However, the Committee may invite or require other persons to attend meetings where appropriate to assist in the effective discharge of the Committee's duties and in particular the Group's chief executive officer(s), chief financial officer, compliance officer, Head of Risk, General Counsel, head of any internal audit function and external auditor. The chief financial officer, the head of any internal audit function and external auditor shall be invited to Committee meetings on a regular basis and at least once a year.

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

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

6. NOTICE OF MEETINGS

6.1 Meetings of the Committee shall be called by any member of the Committee, the secretary of the Committee at the request of any of its members or at the request of the chief financial officer, external audit lead partner or head of internal audit (if applicable).

6.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. Supporting papers shall, where practicable, be sent to Committee members and to other attendees as appropriate, at the same time, but Committee papers may be forwarded at shorter notice with the approval of the Committee chairperson.

6.3 Supporting papers may be circulated electronically or in hard copy as circumstances permit.

7. QUORUM

7.1 The quorum necessary for the transaction of business at a Committee meeting shall be two members present in person or by audio or video conference.

7.2 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.

8. VOTING ARRANGEMENTS

8.1 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).

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

8.3 Except where he has a personal interest, the Committee chairperson shall have a casting vote.

9. MINUTES OF MEETINGS

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

9.2 Draft minutes of Committee meetings shall be circulated promptly to all Committee members. Once approved, minutes shall be circulated to all other Board members and the

Company Secretary unless it would be inappropriate to do so.

9.3 A resolution in writing and 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.

10. ENGAGEMENT WITH SHAREHOLDERS

The Committee chairperson shall attend the annual general meeting to answer shareholder questions on the Committee's activities. In addition, the Committee chairperson shall seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

11. REPORTING RESPONSIBILITIES

The Committee shall:

11.1 Report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and the minutes of all Committee meetings shall be included in the Board papers for a subsequent Board meeting.

11.2 Prepare a formal report to shareholders on its activities to be included in the Company's annual report, which shall include:

(a) details of the membership of the Committee, number of meetings held and attendance over the course of the year;

(b) 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 external auditor;

(c) an explanation of its assessment of the effectiveness of the external audit process (including the provision of non-audit services and an explanation of how, if the auditors provide non-audit services to the Company and the Group, auditor objectivity and independence is safeguarded) and its recommendation on the appointment or reappointment of the external auditor, including length of incumbent auditor's tenure, when a tender was last conducted, advance notice of any retendering plans and any contractual provisions restricting the Committee's choice of auditor, and the amount of fees paid to the auditor for any of its services;

(d) an explanation of how the Committee has addressed the effectiveness of the internal audit process;

(e) a summary of the Committee's work in relation to the effectiveness of the Company's risk management and internal control framework, including the matters required to support the Board's reporting under Provision 29 of the UK Corporate Governance Code; and

(f) all other information requirements set out in the UK Corporate Governance Code; and

(g) any other issues on which the Board has requested the Committee's opinion.

11.3 In compiling the above report, exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the longer term viability statement.

11.4 Make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

11.5 Make available to shareholders these terms of reference by placing them on the Company's website.

11.6 All decisions on recommendations referred to the Board shall take effect only upon approval thereof by resolution of the Board, at a meeting which is properly convened and constituted and in accordance with the Company's articles of association.

12. GENERAL MATTERS

The Committee shall:

12.1 consider other duties determined by the Board from time to time;

12.2 have access to sufficient resources in order to carry out its duties, including access to the company secretary as required;

12.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;

12.4 give due consideration to all applicable laws and regulations, in particular the directors' duties contained in the Companies Act 2006, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing Rules, Prospectus Regulation Rules and Disclosure Guidance and Transparency Rules and any other applicable rules as appropriate;

12.5 work and liaise as necessary with all other Board committees;

12.6 consider the interests of key stakeholders, the Company's impact on the community, the environment and the Company's reputation when making decisions;

12.7 act fairly and in good faith, considering what is most likely to promote the success of the Company for its members in the long term;

12.8 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 Board for approval; and

12.9 consider such other matters as the Board may from time to time refer to it.

13. AUTHORITY

The Board authorises the Committee to:

13.1 carry out all duties set out in these terms of reference, to have unrestricted access to the Company's documents and information and to obtain, at the Company's expense, appropriate professional advice on any matter within its terms of reference as it considers necessary;

13.2 seek any information it requires from any employee of the Company or any of the Company's subsidiaries to perform its duties;

13.3 secure the attendance of external advisers at its meetings if it considers this necessary, at the Company's expense;

13.4 call any employee to be questioned at a Committee meeting as and when required and all employees are directed to co-operate with any request made by the Committee;

13.5 have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board, and in particular if the Board has not

accepted the Committee's recommendation on the appointment, re-appointment or removal of the Company's external auditor, then the Board authorises the Committee to include a statement in the annual report explaining the Committee's recommendation and reasons why the Board has taken a different position; and

13.6 collectively and individually have direct access to the Group's chief financial officer, compliance officer, head of any internal audit function and the Company's external auditors.

Adopted at the Board meeting of the Company on 18 June 2020, amended 16 November 2026.