

INTERNAL AUDIT CHARTER

ROLE

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation.

The aim of the Internal Audit function is to provide independent, objective assurance and consulting services designed to add value and improve IG's operations.

Internal Audit helps IG accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit function is established by the Board of Directors and the Internal Audit function's responsibilities are defined by the Audit Committee as delegated by the Board.

PROFESSIONALISM

The Internal Audit function will govern itself by adherence to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics of The Institute of Internal Auditors and the Guidance on Effective Internal Audit in the Financial Services Sector.

This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit function's performance.

The Internal Audit function will adhere to IG's relevant policies and procedures and the Internal Audit function's standard operating procedures manual.

AUTHORITY

The Internal Audit function, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free and unrestricted access to any and all of the organisation's records, physical properties and personnel pertinent to carrying out any engagement. The Internal Audit function can access specialist services from within or outside the organization.

All employees are requested to assist the Internal Audit function in fulfilling its roles and responsibilities. The Internal Audit function will also have free and unrestricted access to the Audit Committee and the Board.

The Head of Internal Audit (HIA) will have the right to attend and observe all or part of the Executive Risk Committee meeting as the regular executive meeting where business risks and issues are discussed. The HIA attendance ensures that they can understand what is being discussed and observe how the risk management and control environment is operating.

The HIA and staff of the Internal Audit function are not authorised to:

- Perform any operational duties
- Initiate or approve accounting transactions external to the Internal Audit function.
- Direct the activities of any IG employee not employed by the Internal Audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

ORGANISATION

The HIA will report functionally to the Audit Committee, as delegated by the Board and administratively to the Chief Financial Officer. When internal audit work is performed in the Finance department, the HIA will report administratively to the Chief Executive Officer (CEO). The Audit Committee reviews the HIA reporting structure on an annual basis.

The Chairman of the Audit Committee is accountable for setting objectives, performance evaluation, appointment, or removal of the HIA as well as the HIA's annual compensation and salary adjustment.

The HIA will communicate and interact directly with the Board and Audit Committee, including in meetings and between meetings as appropriate.

The HIA will maintain a professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of this Charter.

INDEPENDENCE AND OBJECTIVITY

To provide for independence of the Internal Audit function the HIA reports to the Audit Committee with a secondary administrative reporting line to the Chief Legal and Governance Officer.

The Internal Audit function will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair internal auditor's judgements.

Internal auditors must demonstrate professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The HIA will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit function.

When the Global HIA's tenure exceeds seven years the Audit Committee will be required to review Audit Committee Chair's assessment of the independence and objectivity of the Global HIA.

RESPONSIBILITY

The scope of Internal Audit's work is regularly reviewed to take account of new and emerging risks. Where relevant, Internal Audit will not only assess the process followed by the organisation's first and second lines of defence, but also the quality of their work.

The scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management and internal control processes in relation to the organisation's defined goals and objectives. The following areas will be included within the scope of the function:

Internal Governance

- The information presented to the Board and Executive Management for strategic and operational decision making
- The setting of, and adherence to, risk appetite
- The risk and control culture of the organisation

- Risks of poor customer treatment, giving rise to conduct or reputational risk
- Capital and liquidity risks
- Key corporate events
- Outcomes of processes.

In undertaking the scope of work, Internal Audit will determine whether IG's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risk appetite is established and risks are appropriately identified and managed
- Interaction with the various governance groups occurs as needed
- Significant financial, managerial, and operating information is accurate, reliable, and timely
- Sufficient management information is used for decision-making
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations
- Resources are acquired economically, used efficiently, and adequately protected
- Programmes, plans, and objectives are achieved
- Quality and continuous improvement are fostered in IG's control processes
- Significant legislative or regulatory issues impacting IG are recognised and addressed properly.

Internal Audit will assess whether all significant risks are identified and appropriately reported by Management and the Risk function to the Board and Executive Management; whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit also supports the strategic and operational objectives of management by performing consulting services, beyond the core assurance services. Examples may include facilitation, process design, training, and advisory services.

Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Board, Audit Committee, Board Risk Committee and Executive Directors, including fraud risks, governance issues and other matters needed or requested by the Audit Committee.

Internal Audit will evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion.

ACCOUNTABILITY

The HIA, in the discharge of their duties, shall be accountable to management and the Audit Committee to:

- Provide annually an assessment on the adequacy and effectiveness of IG's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work as a requirement of the UK Corporate Governance Code
- Prepare a documented risk assessment, at least annually, which forms the basis of the Internal Audit function's plan of engagements
- Assess whether the risk appetite has been established and reviewed through the active involvement of the Board and Executive Management

- Provide information periodically on the status and results of the annual audit plan and the sufficiency of Internal Audit resources
- Communicate on a periodic basis the results of the quality assurance and improvement program
- Consider the use of technology-based audit and other data analysis techniques
- Report significant issues related to the processes for controlling the activities of IG including potential improvements to those processes, and provide information concerning such issues through resolution
- Coordinate with other control and monitoring functions including risk management, compliance, information governance, legal and external audit
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to IG at a reasonable overall cost
- Keep the Audit Committee informed of emerging trends and successful practices in Internal Audit.
- Assist in the investigation of significant suspected fraudulent activities within IG and notify management and the Audit Committee of the results.

INTERNAL AUDIT PLAN

At least annually the HIA will conduct a risk assessment and develop a risk based internal audit plan, including any risks or control concerns identified by management.

The HIA will submit that plan to the Audit Committee for review and approval. The HIA will communicate the resources and skills required to deliver against the internal audit plan to the Audit Committee.

Any significant deviations from the approved internal audit plan will be communicated to the Audit Committee.

REPORTING AND MONITORING

A written report will be prepared following the conclusion of each internal audit engagement and will be distributed to management. Internal Audit results will also be communicated to the Executive Directors, the Audit Committee and the Risk Committee.

The internal audit report will include the corrective action being taken in regard to the specific findings and recommendations and the anticipated timetable for the completion of the action to be taken.

Internal Audit will be responsible for appropriate follow-up on the implementation of the audit recommendations until all issues have been implemented.

PERIODIC ASSESSMENT

The HIA is responsible for establishing a quality assurance programme and providing periodic self-assessment on the Internal Audit function in line with this Charter.

In addition, the HIA will communicate the results of the quality assurance programme to management, the Audit Committee and the Board at least annually. This will include the results of the annual internal assessment and the external assessment conducted at least every five years.

CONFLICTS OF INTEREST

Should a conflict of interest arise in the work performed by members of the Internal Audit team, the conflict of interest should be raised with the HIA in the first instance who will take action accordingly. Where the conflict of interest is deemed material the HIA will report the conflict of interest to the Chief Legal and Governance Officer and the Audit Committee Chair.