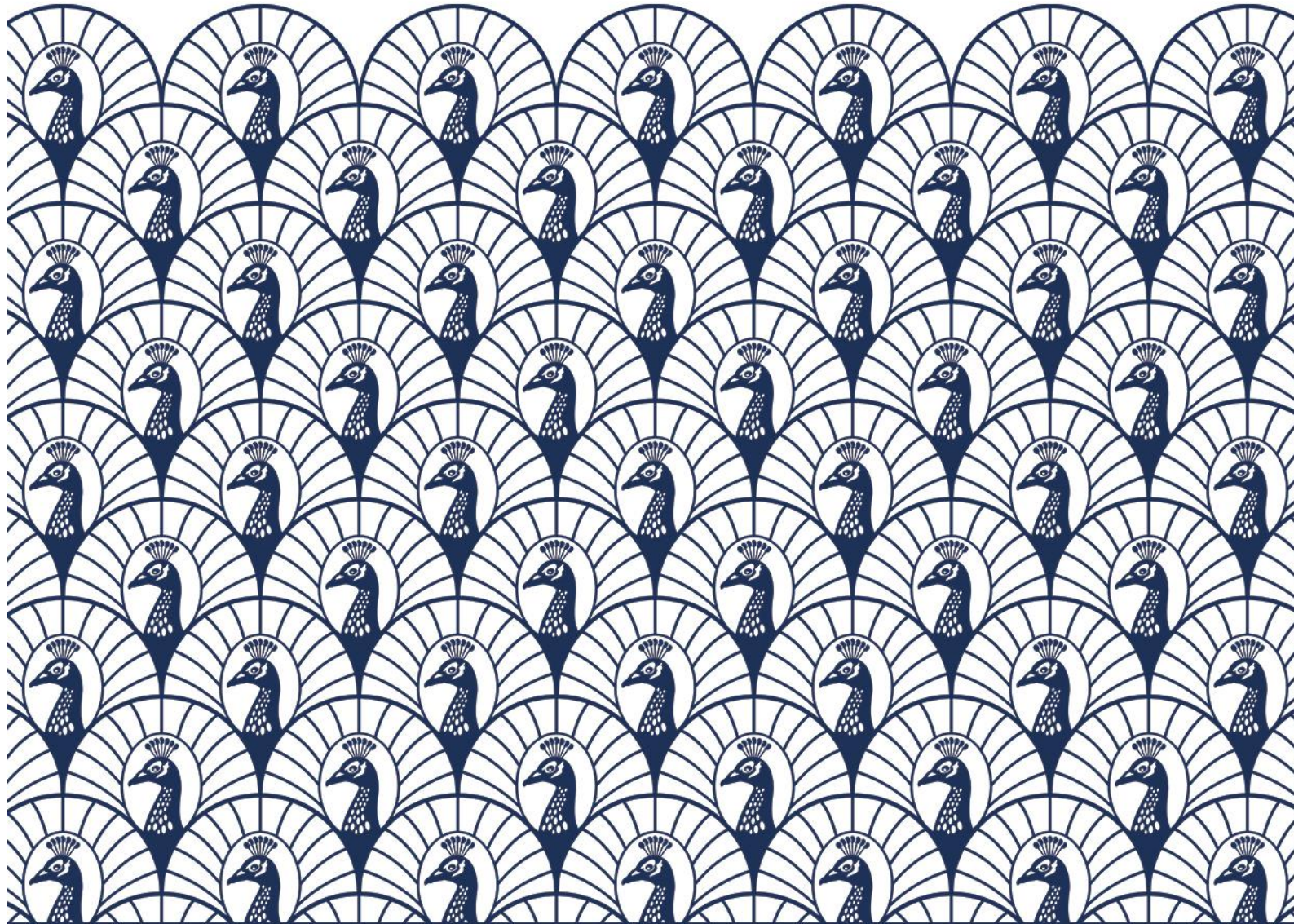




ARBUTHNOT LATHAM

Bankers since 1833



## Internal Audit Charter

Arbuthnot Banking Group &  
Arbuthnot Latham & Co., Limited

V9.0 - 12 July 2023

## References

This Internal Audit Charter is based on the Chartered Institute of Internal Auditors 'Model Internal Audit Charter' dated 22 September 2020, with minor customisations for applicability to Arbuthnot Latham practice, the 'Effective Internal Audit in the Financial Services Sector Guidance' and the Audit Committee Terms of Reference.

Where the Charter refers to Arbuthnot Latham, this includes Arbuthnot Banking Group, Arbuthnot Latham & Co., Limited and all subsidiary businesses.

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## Purpose

The primary purpose of Internal Audit is to help the board and executive management to protect the assets, reputation and sustainability of Arbuthnot Latham. It does this by assessing whether all significant risks are identified and appropriately reported by management to the board and executive management; assessing whether they are adequately controlled; and by challenging executive management to improve the effectiveness of governance, risk management and internal controls.

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## Standards for the Professional Practice of Internal Auditing

The Internal Audit function will be governed by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Head of Internal Audit will report periodically to senior management and the Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Standards.

In performance of its work Internal Audit is also consistent with guidance on Effective Internal Audit in the Financial Services Sector, issued by the Chartered Institute of Internal Auditors and endorsed by the PRA and FCA.

Internal Audit activity adheres to the Bank's relevant policies and procedures and Internal Audit's standard operating procedures manual.

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## Authority

The Head of Internal Audit reports functionally to the Audit Committee Chairman and administratively (i.e., day-to-day operations) to the Chief Executive Officer. To establish, maintain, and assure that Arbuthnot Latham Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the Internal Audit Charter
- Approve the risk-based internal audit plan
- Approve the Internal Audit budget and resource plan
- Receive communications from the Head of Internal Audit on internal audit's performance relative to its plan and other matters
- Approve decisions regarding the appointment and removal of the Head of Internal Audit
- Provide feedback on the performance of the Head of Internal Audit and in particular provide feedback on the independence, objectivity and tenure of the Head of Internal Audit
- Approve the remuneration of the Head of Internal Audit



- Make appropriate inquiries of management and the Head of Internal Audit to determine whether there is inappropriate scope or resource limitations

The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Board and Audit Committee, including in private meetings without management present.

The Audit Committee authorises Internal Audit to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports
- Obtain assistance from the necessary personnel of Arbuthnot Latham, as well as other specialised services from within or outside Arbuthnot Latham, in order to complete the engagement

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### **Independence and objectivity**

The Head of Internal Audit will ensure that Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or 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, including:

- Assessing specific operations for which they had responsibility within the previous year
- Performing any operational duties for Arbuthnot Latham or its subsidiaries
- Initiating or approving transactions external to the internal audit activity
- Directing the activities of any Arbuthnot Latham employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors

Where the Head of Internal Audit has or is expected to have roles and responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined

- Make balanced assessments of all available and relevant facts and circumstances
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments

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

The Head of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and communicating results.

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### **Scope of Internal Audit Activities**

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Arbuthnot Latham. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of Arbuthnot Latham's strategic objectives are appropriately identified and managed
- The actions of Arbuthnot Latham's officers, directors, employees, and contractors are in compliance with policies, procedures, and applicable laws, regulations, and governance standards
- The results of operations or programs are consistent with established goals and objectives
- Operations or programs are being carried out effectively and efficiently
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Arbuthnot Latham
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of Internal Audit will report periodically to senior management and the Audit Committee regarding:

- Internal Audit's purpose, authority, and responsibility
- Internal Audit's plan and performance relative to its plan
- Internal Audit's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee
- Results of audit engagements or other activities
- Resource requirements
- Any response to risk by management that may be unacceptable

The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. Internal

Audit may perform advisory and related third party service activities, the nature and scope of which will be agreed with the third party, provided Internal Audit does not assume management responsibility. Internal Audit may also conduct independent investigations at the request of executive management or board.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

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## Responsibility

The Head of Internal Audit has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based internal audit plan for review and approval
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan
- Review and adjust the internal audit plan, as necessary, in response to changes in Arbutnot Latham's business, risks, operations, programmes, systems, and controls
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the Audit Committee any corrective actions not effectively implemented
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld
- Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter
- Ensure trends and emerging issues that could impact Arbutnot Latham are considered and communicated to senior management and the Audit Committee as appropriate
- Ensure emerging trends and successful practices in internal auditing are considered
- Establish and ensure adherence to policies and procedures designed to guide Internal Audit
- Ensure adherence to Arbutnot Latham's relevant policies and procedures, unless such policies and procedures conflict with the internal audit charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee
- Ensure conformance of Internal Audit with the Standards, with the following qualifications:
  1. If Internal Audit is prohibited by law or regulation from conformance with certain parts of the Standards, the Head of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards
  2. If the Standards are used in conjunction with requirements issued by the PRA or FCA, the Head of Internal Audit will ensure that Internal Audit conforms with the Standards,

even if Internal Audit also conforms with the more restrictive requirements of the PRA or FCA.

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### Quality Assurance and Improvement Programme

Internal Audit will maintain a quality assurance and improvement programme that covers all aspects of internal audit activity. The program will include an evaluation of the Internal Audit's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The Head of Internal Audit will communicate to senior management and the Audit Committee on the quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Arbuthnot Latham.

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### Change log

Date	Version	Change	By	Audit Committee
28-10-15	1.0	STB model charter used as base point and modified to reflect Arbuthnot Latham requirements	ajw	
09-03-16	2.0	'Draft' removed and revisions accepted following Audit Committee approval 9 March 2016	ajw	9 March 2016
30-06-17	2.1	Revisions to reflect the change to a new Head of Internal Audit (SMF5) and minor wording changes	AJA	
10-07-17	3.0	Revisions accepted following Audit Committee approval 10 July 2017	AJA	10 July 2017
11-07-18	4.0	Approved by Audit Committee	AJA	11 July 2018
10-07-19	5.0	Approved by Audit Committee	AJA	10 July 2019
08-07-20	6.0	Approved by Audit Committee	AJA	8 July 2020
14-07-21	7.0	Approved by Audit Committee – no revisions	AJA	14 July 2021
23-06-22	7.1	Content translated to the 2020 IIA template provided by the Chartered Institute of Internal Auditors	AJA	13 July 2022
18-07-22	8.0	Final version - approved by Audit Committee subject to the inclusion of reference to ABG	AJA	13 July 2022
18-07-22	9.0	Approved by Audit Committee	JG	12 July 2023