Internal Audit Charter

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1. Purpose

The primary role of Internal Audit (IA) is to help the Board and Executive Management of AJ Bell (the company) protect the assets, reputation, and sustainability of the organisation.

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.

IA will fulfil this role by providing an independent and objective opinion to the Board, through the Audit Committee, on the adequacy and effectiveness of the system of internal control at AJ Bell. These opinions will specifically cover whether the risk management, control and governance processes are appropriately designed and operating as intended. IA aims to perform its activities in conformance with the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the guidance on Effective Internal Audit in the Financial Services Sector as laid down by the UK Chartered Institute of Internal Auditors.

2. Scope and Responsibilities

The scope of IA work covers all activities of the company except as may be excluded from time to time at the direction of either the Board or the Audit Committee. The scope of work undertaken each year is determined by the IA plan which is approved annually by the Audit Committee. The plan is developed using a risk-based approach to prioritise work so that cost-effective effort is directed towards providing assurance that the key risks facing the company are controlled and identifying weaknesses where they are not. Appropriate recommendations will be agreed with management to address any identified weaknesses.

Through its activities, IA will provide management with information to help facilitate improvement in the company's risk management and control environment.

Specific areas of responsibility include:

- Undertake a programme of reviews (as per the annual plan) of key functional areas, processes and systems to provide assurance that material risks are identified and managed. These reviews will include, but will not be limited to:
  - reviews of design and operating effectiveness of the internal governance structures and processes of the organisation;
  - assessing the controls designed to protect and ensure the reliability and integrity of information;
  - evaluating the control framework for the setting of and adherence to risk appetite;
  - a review of controls designed to mitigate the risk and control culture of the organisation;
  - the risk of poor customer treatment giving rise to conduct or reputational risk and/or unfair customer outcomes;
  - the management of capital and liquidity risk; and
  - assessing the company's compliance with policies, plans, procedures, laws and regulations.
- Deliver consulting, assurance and supporting project activities in accordance with Audit Committee, Executive Management and/or Regulatory requests.
- Provide assurance over the governance, risk management, project and financial controls together with quality assurance processes operated within key business initiatives.
- Provide an independent assessment of the progress made by management in implementing actions agreed to manage risk issues and control weaknesses reported in external and internal audit reports. Report outstanding and overdue actions to the Audit Committee on a quarterly basis. Issue details of all outstanding and overdue actions to Executive Management monthly.

- Provide independent assurance that the risk management process is functioning as designed, as the third line of defence within the company's Three Lines of Defence model.
- Maintain close co-operation with the Risk and Compliance function including the exchange of relevant information and meeting regularly to discuss risks and controls, complimentary assurance activity and to develop and maintain effective working relationships.
- Maintain a Combined Assurance Model and provide an update to the Audit Committee and the Risk and Compliance Committee at least annually as part of the processes for (i) agreeing the annual Audit Plan and (ii) supporting the development and review of the annual Risk and Compliance plans.
- Make a recommendation to the Audit Committee at least annually about the appropriate level of professional audit staff which IA should have for the purpose of ensuring it maintains an adequate level of knowledge, skills, qualifications and experience to meet the requirements of this Charter.
- Evaluate and assess emerging risks and their potential impact on the [company's] operations. IA may make recommendations to the Audit Committee in respect of the instigation of additional review(s) to address new and emerging risks during the year. When doing so IA will assess and report to the Audit Committee the impact of performing the additional review(s) on the annual plan.
- Report to the Audit Committee and relevant Executive Management committees summarising the results and other outcomes of audit activities.
- Report to the Audit Committee, as appropriate, a review of any post-mortem and lessons learned analysis if a significant adverse event has occurred (e.g., a regulatory breach). Any such review will assess the adequacy of response by both the role of the first and second lines of defence and Internal Audit's own role as appropriate.
- At least annually, Internal Audit will report to the Audit Committee its assessment of the overall effectiveness of the governance and risk and control framework of the company, and its conclusions on whether the organisation's risk appetite framework is being adhered to, together with an analysis of themes and trends emerging from IA work and their impact on the company's risk profile.
- Remain up to date with an understanding of the company, industry and regulatory developments to ensure a high-quality service can be provided by sufficiently competent staff.

3. Authority

The following characterise IA's rights and authority:

- The Head of Internal Audit reports directly to the Audit Committee chair with an administrative reporting line to the Chief Financial Officer and has a right of access to the Chair of the Board.
- The right, to the extent to which it is reasonably necessary to discharge IA's allocated responsibilities and with the prior agreement of the chair of the relevant governance body, for IA to attend executive and other governance committee meetings and the Audit Committee meeting.
- To the extent to which it is reasonably necessary to discharge IA's allocated responsibilities, sufficient and timely access (as authorised by the Audit Committee) to all the [company's] operations, records, systems and assets in whatever media and wherever stored and to staff and [management].
- Ability to call an Audit Committee meeting, if required, through agreement with the Audit Committee Chair.

4. Accountability

In discharging their duties, the Head of Internal Audit shall be accountable for:

- Providing an assessment of the company's processes for controlling its activities and managing risks.
- Reporting on material control issues that impact the achievement of the company's goals and objectives.
- Reporting on management's response to addressing significant control issues.
- Reporting on the progress of the company's IA department in meeting its objectives and the adequacy of its resources, including the management and coordination of external co-source resources for subject matter expertise and support purposes.

5. Status and Independence

- Management is responsible for establishing and maintaining effective risk management practices and internal controls within the company and for periodically confirming their operation.
- IA is a review function that does not relieve management of the responsibility for maintaining effective controls. IA is not authorised to perform line activities as this would impair its objectivity and it does not have direct responsibility or authority over the activities it reviews.

6. Professional Standards and Disclosure

All IA activity will be undertaken in accordance with the function's IA Manual to ensure consistent professional standards are adopted. IA will adhere to the Code of Ethics and International Standards for the Professional Practice of Internal Auditing issues by the Institute of Internal Auditors – UK and Ireland.

IA effectiveness will be assessed annually with an external review commissioned at least every 5 years.

The company's external auditors and regulators have the right to request any information from the company, including IA reports to allow these external parties discharge their individual obligations.

7. Relationship with External Auditors

The external auditors fulfil a statutory duty. Effective collaboration between IA and the external auditors is imperative to ensure effective and efficient audit coverage and resolution of issues of mutual concern. IA ensures that internal control issues raised by the external auditors are addressed. Internal and external audit meet annually, upon request from Management or external audit to:

- Plan the respective internal and external audits.
- Discuss potential issues arising.
- Provide effective audit coverage to the organisation at reasonable cost.

Document Governance and Version Control

Approval and Review

The Internal Audit Charter will be reviewed at least annually by the Head of Internal Audit and any recommended changes will be proposed to the Audit Committee for approval.

Document ownership

The Head of Internal Audit is responsible for developing and maintaining this charter and ensuring that it is in line with regulatory requirements and industry best practice.