

SECURE TRUST BANK PLC

INTERNAL AUDIT CHARTER

This Charter is based on a standard template for an Internal Audit Function Charter, which was last updated by the Institute of Internal Auditors ('IIA') in June 2024.

Purpose of the Secure Trust Bank PLC internal audit function

1. The purpose of the Secure Trust Bank PLC ('STB or 'the Group') internal audit function ('Internal Audit') is to strengthen the Group'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. These help to maintain the Group's reputation and credibility with its stakeholders and its ability to serve the public interest.
2. Internal Audit assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.

Commitment to Adhering to the Global Internal Audit Standards

3. Internal Audit will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Internal Auditor will report annually to the Audit Committee and senior management on Internal Audit's conformance with the Standards, which will be assessed through a quality assurance and improvement programme.

Mandate

Authority

4. The STB Board Audit Committee establishes Internal Audit's purpose and remit. The Audit Committee grants Internal Audit the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight. Internal Audit's responsibilities are defined by the Board Audit Committee as part of their oversight role and Internal Audit's authority is created by its direct reporting relationship to the Audit Committee of the Board. Such authority allows for unrestricted access to the Board.

5. The Audit Committee authorises Internal Audit to:
 - Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
 - Allocate resources, set frequencies, select subjects, decide scopes of work, apply techniques, and issue communications to accomplish Internal Audit objectives.
 - Obtain specialist support from within or outside STB to complete internal audit work.
6. All STB employees are required to assist Internal Audit in fulfilling its roles and responsibilities. The Chief Internal Auditor has free and unrestricted access to the Board.

Reporting Relationships, Organisational Position, and Independence

7. The Chief Internal Auditor reports functionally to the Chairman of the Audit Committee. This enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of Internal Audit.
8. The Chief Internal Auditor reports administratively to the Chief Executive Officer. This provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity.
9. The Chief Internal Auditor will, subject to invitation from the Chairman of the STB Board Risk Committee, attend the Board Risk Committee to provide commentary concerning the effectiveness of the current control framework.
10. The Chief Internal Auditor will, subject to invitation from the Chairman of the STB Executive Committee ('ExCo'), have a right of attendance at the ExCo.
11. The Chief Internal Auditor will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of Internal Audit work and results. The disclosure will include communicating the implications of such interference on Internal Audit's effectiveness and ability to fulfil its mandate.

12. The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of Internal Audit such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, either in fact or appearance.

Board oversight of Internal Audit

13. The [Board Audit Committee Terms of Reference](#) set out the Audit Committee's responsibilities in overseeing the Internal Audit function.
14. The Chairman of the Audit Committee will make a recommendation to the Remuneration Committee with regards to the performance evaluation and remuneration of the Chief Internal Auditor.

Chief Internal Auditor's responsibilities

Ethics and Professionalism

15. The Chief Internal Auditor will ensure that internal auditors:
 - Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
 - Behave in accordance with the Group's stated values, policies, and procedures
 - Promote a culture where colleagues are encouraged to act in accordance with the Group's stated values
 - Report behaviour that is inconsistent with the Group's stated values, policies, and procedures.
16. The Chief Internal Auditor will ensure that Internal Audit will avoid any conflicts of interest and 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.
17. Internal auditors must demonstrate the highest level of 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.

18. 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 judgement, including:
 - Assessing specific operations for which they had responsibility within the previous year.
 - Performing operational duties for STB entities.
 - Initiating or approving transactions external to Internal Audit.
 - Directing the activities of any STB employee that is not employed by Internal Audit, except to the extent that such employees have been assigned to assist internal auditors.
 - Risk management, including setting the risk appetite for the Group and imposing risk management processes.
19. Internal auditors will:
 - Disclose impairments of independence or objectivity, in fact or appearance, in accordance with STB requirements and at least annually to the Chief Internal Auditor.
 - Exhibit professional objectivity in gathering, evaluating, and communicating information.
 - Make balanced assessments of all available and relevant facts and circumstances.
 - Take necessary precautions to avoid conflicts of interest, bias, and undue influence.
20. If the Chief Internal Auditor decides that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Managing the Internal Audit Function

21. At least annually, the Chief Internal Auditor develops, and submits to the Audit Committee for review and approval, an Internal Audit plan, including risk assessment criteria. The annual plan forms part of a rolling Internal Audit plan which is updated by the Chief Internal Auditor throughout the year. The plan will include timing as well as budget and resource requirements for the next financial year. The Chief Internal Auditor will communicate the impact of resource limitations to senior management and to the Audit Committee.

22. The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, taking into account input from senior management and the Board. In formulating the audit plan, business strategy and business developments, areas of regulatory focus and change and emerging risks will be taken into consideration. The audit plan will focus on areas of highest risk.
23. The Chief Internal Auditor has the responsibility to:
- Review and adjust the Internal Audit plan, as necessary, in response to changes in STB's business, risks, operations, programmes, systems, and controls.
 - Communicate with the Audit Committee and senior management if there are significant changes to the Internal Audit plan. Any significant deviation from the approved Internal Audit plan must be approved by the Audit Committee.
 - Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
 - Ensure the Internal Audit function collectively has or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfil the Internal Audit mandate.
 - Communicate the results of Internal Audit activity to the Board and senior management.
 - Follow-up on engagement findings and monitor progress in closing management actions. All management actions will remain open until Internal Audit has agreed that they are closed.
 - Identify and consider trends and emerging issues that could affect internal audit planning, and communicate these to the Board and senior management as appropriate.
 - Consider emerging trends and successful practices in internal auditing.
 - Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
 - Ensure adherence to STB policies and procedures. If such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards conflicts will be resolved or documented and communicated to the Board and senior management.
 - Share information and coordinate activities with other parties (including Risk Management, Compliance, Finance, and external parties) while always staying independent of those functions and parties.

- Take account of the work undertaken by other parties in internal audit risk assessment or determination of the level of audit testing, where it is possible to do so. Any judgement which results in less intense Internal Audit scrutiny will only be made after consideration of the purpose of the work undertaken and the independence and objectivity, competence, working practices and effectiveness of the other parties.

Communication with the Board and Senior Management

24. The Chief Internal Auditor will communicate and interact directly with the Audit Committee and Chief Executive Officer, including in executive sessions and between Audit Committee meetings as appropriate.
25. The Chief Internal Auditor will report to the Audit Committee, and as required to senior management, regarding:
 - The Internal Audit function's mandate.
 - The Internal Audit plan, and performance relative to the plan.
 - Internal Audit budget.
 - Significant revisions to the Internal Audit plan and budget.
 - Potential impairments to independence, including relevant disclosures as applicable.
 - Results from the quality assurance and improvement programme, which include the Internal Audit function's conformance with the IIA's Global Internal Audit Standards and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
 - Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board.
 - Results of assurance and advisory services.
 - Resource requirements.
 - Management's responses to risk that the Internal Audit function finds may be unacceptable, or acceptance of a risk that is outside STB risk appetite.

Quality Assurance and Improvement Programme

26. The Chief Internal Auditor will develop, implement, and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of Internal Audit's conformance with the Global Internal Audit Standards and Codes of practice for internal auditing applicable in the UK, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.
27. Annually, the Chief Internal Auditor will communicate with the Board and senior management about the Internal Audit function's quality assurance and improvement programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside STB. At least one assessor should be a Certified Internal Auditor.

Scope of Internal Audit activity

28. Internal Audit scope covers all STB activities, assets, and personnel (the 'audit universe'). It encompasses, but is not limited to, the objective examination and evaluation of evidence relating to the adequacy and effectiveness of governance, risk management, and internal control processes.
29. Internal control objectives considered by Internal Audit include:
 - Consistency of operations or programmes with strategic objectives and established goals;
 - Effectiveness and efficiency of operations and employment of resources;
 - Organisational and individual compliance with significant policies, plans, procedures, laws, regulations, and governance standards;
 - Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
 - Safeguarding of assets.
30. Internal Audit may evaluate specific operations at the request of the Audit Committee or management, as appropriate.

31. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
32. The nature and scope of advisory services may be agreed with the party requesting the service, provided the Internal Audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the proper level of management.

Approval

Approved by the Audit Committee at its meeting on 6 March 2025.