

# Funding Circle Holdings plc

## INTERNAL AUDIT CHARTER

adopted by the Board of Directors 7 December 2023

### 1. Introduction

1.1 The Internal Audit ('IA') Charter sets out the purpose, authority and responsibility of the IA function within Funding Circle Holdings plc and its subsidiaries (collectively, 'the Group') as delegated by the Group Board of Directors and the Funding Circle Holdings plc Audit & Risk Committee and the Funding Circle Limited Audit & Risk Committee (collectively, 'the Audit & Risk Committee' or 'the ARC'). The IA function is responsible for assessing the adequacy and effectiveness of risk management, control, and governance processes.

1.2 Consequently, this IA Charter: describes the purpose, mission and objective of the IA function within the Group; clarifies the role, responsibilities and scope of works of IA; defines the ethical and professional standards within which IA operates; formalises IA reporting lines and authority of IA; establishes the independence and objectivity of IA; IA's reporting to the ARC and other appropriate governing bodies; outlines IA's relationship with regulators; and describes the quality assurance and improvement programme. This charter should be read in conjunction with the Group Audit Committee Charter, which details the ARC responsibilities for the oversight and support of the Group IA function.

### 2. IA purpose, mission and objective

2.1 The purpose of the Group's IA function is to provide independent, objective assurance and consulting services designed to add value and improve the Group's operations. The mission of IA is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.

2.2 The IA function helps the Group accomplish its objectives by bringing a systematic and disciplined approach to evaluate the adequacy and effectiveness of the Group's governance, risk management, and control processes and highlight areas for further strengthening. IA assesses whether the controls are appropriately designed and operating effectively to mitigate risks identified in the Group's risk assessment framework within the Group's Board risk appetite.

2.3 The ARC is responsible for making sure that the following happens:

- The IA function has the necessary authority, resources, expertise and access to all relevant information;
- A suitably qualified and experienced Director of IA is appointed by the ARC to be responsible for the IA function;
- The relevant persons involved in the IA function are independent of the performance of the services or activities of the business; and
- A formal confirmation of independence is provided annually by the Director of IA to the ARC.

### **3. Role, scope of work and responsibilities**

3.1 The role of IA is to assess the adequacy and effectiveness of the systems of governance, risk management and internal control operated within the Group; review and evaluate compliance with policies, plans, procedures, laws and regulations; assess the reliability and integrity of information; and in doing so help deliver the Group's mission and safeguard and strengthen the Group's assets, reputation and sustainability.

3.2 The scope of the work of the IA function is to give independent assurance over the risk management, control and governance processes, as designed and operated by management.

IA does this by:

- Assessing the key risks across the Group and designing a plan to conduct work necessary to provide independent assurance that these risks are adequately controlled;
- Liaising with other assurance providers, such as Risk, Compliance and External Audit to ensure that assurance activities are mutually supportive and efficient. The work of the first and second lines will be taken into account when considering the work to be performed by IA; and
- Supporting ad-hoc investigations or reviews as required or requested by the ARC.

In order to achieve this, the Director of IA is accountable for:

- Establishing an IA strategy and putting in place appropriate policies, processes and standards for the IA function in line with Institute of Internal Auditors' (IIA) codes and practices;
- Establishing, developing and maintaining a suitably skilled, experienced and diverse IA team (through the in-house IA team and through the use of specialist external resources);
- Attending each meeting of the ARC and providing the ARC with periodic updates on IA capacity, capability and financial budget and whether this is sufficient to deliver the committed assurance coverage;
- Developing and delivering a flexible, risk-based IA Plan, based on an independent risk assessment performed at least annually and taking into account other concerns identified by management and the ARC and periodically refreshed to reflect any changes to the Group risk profile or strategic priorities;
- Managing and allocating resources as appropriate to help provide for the successful delivery of the IA Plan;
- Reporting progress and results on the delivery of the IA Plan and any other relevant developments in the IA function to the ARC and executive management;
- Providing an opinion, at least every 6 months, on the overall control environment across the Group and highlighting any key themes or areas that require particular attention;
- Identifying issues with the adequacy and effectiveness of the Group's governance, risk management and control activities, and/or potential improvements to processes, and agreeing action plans with operational management to help resolve these issues and deliver process improvements;
- Establishing mechanisms to track the implementation of control improvement actions, and obtaining appropriate evidence or confirmation that issues have been sustainably resolved and embedded, with appropriate reporting to the ARC on the timely closure of issues;
- Establishing appropriate quality control, quality assurance and IA continuous process improvement mechanisms; and
- Arranging for an independent external quality assessment of the IA function as a whole at appropriate intervals, not exceeding 5 years (in line with the requirements of the 'Institute of

Internal Auditors Code of Practice for Effective Internal Audit in Financial Services' (the 'IIA Code'). As the ARC is responsible for overseeing the effectiveness of the IA function, the ARC Chair will oversee and approve the appointment of an appropriate external assessor. The external assessment will consider and report on conformance with the IIA Code and the mandatory elements of the IIA International Professional Practices Framework ('the IIA IPPF').

#### **4. Standards and Codes of Practice Governing the Internal Audit function**

The IA function will govern itself by aligning appropriately to the IIA Code and the mandatory elements of the IIA IPPF, (which includes the International Standards for the Professional Practice of Internal Auditing). These requirements will be reflected in the IA methodology. IA will report periodically to the ARC regarding the IA function's alignment with the IIA Code.

#### **5. Reporting Lines and Authority of IA**

5.1 The Director of IA has a direct reporting line to the ARC Chair and a secondary reporting line to the Chief Finance Officer ('CFO'). To establish, maintain, and assure that the Group's IA function has sufficient authority to fulfil its duties, the ARC will:

- Approve the IA Charter;
- Input to and approve the risk-based IA Plan;
- Approve the IA budget and resource plan, including making appropriate inquiries of management and IA to determine whether there is inappropriate scope or resource limitations; and
- Receive communications from IA on the IA function's performance relative to its plan and other matters.

5.2 IA will have unrestricted access to, and communicate and interact directly with, the ARC, including in private meetings without management present.

5.3 The ARC authorises IA to:

- Have full, free, and unrestricted access to all functions, premises, property, personnel, records and any other documentation pertinent to carrying out any engagement, while complying with Market Abuse Regulation requirements and at all times maintaining confidentiality and safeguarding records and information. This includes:
  - Right of access to the Group Board Chair, other Board members, and relevant Board and GLT papers.
  - Right to attend and observe all or part of key management decision making fora.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
- Request personnel to provide all information and such explanations deemed necessary relevant to the reviews undertaken.

5.4 The ARC Chair is responsible for approving the appointment, removal, performance assessment and remuneration of the Director of IA, taking into account the views of the CFO.

#### **6. Independence and Objectivity of IA**

6.1 Independence and objectivity are essential to the effectiveness of the IA Function. The ARC will ensure that IA 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 IA determines that independence or objectivity

may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties. To ensure independence from the operational entities the IA function reports directly to the AC.

6.2 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.

6.3 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 the Group or its affiliates;
- Initiating or approving transactions external to the IA function;
- Directing the activities of any the Group employee not employed by the IA function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors;
- Where IA has or is expected to have roles and/or responsibilities that fall outside of pure internal audit, safeguards will be established to limit impairments to independence or objectivity;
- IA will confirm to the ARC, at least annually, the organisational independence of the internal audit function; and
- IA will disclose to the ARC any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **7. Reporting and monitoring**

7.1 A written report will be prepared and issued by IA following the conclusion of each IA engagement and will be distributed as appropriate. IA results will also be communicated to the ARC. The IA report may include agreed management actions taken or to be taken in regard to the specific findings identified. Agreed actions will include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. IA will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

7.2 IA will periodically report to senior management and the ARC on IA's purpose, authority, and responsibility, as well as performance relative to its IA Plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the ARC.

7.3 IA will meet with the Chair of the ARC and the Group CEO regularly to discuss any significant emerging issues arising from IA work.

7.4 IA should be present at, and issue reports to the appropriate governing bodies, including the ARC and any other Board Committees as appropriate. The nature of the reports will depend on the remits of the respective governing bodies.

7.5 IA's reporting will include:

- A focus on significant control weaknesses and breakdowns together with a robust root-cause analysis;

- Any thematic issues identified across the Group;
- An independent view of management's reporting on the risk management of the organisation, including a view on management's remediation plans highlighting areas where there are significant delays; and
- At least annually, an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation, together with an analysis of themes and trends emerging from IA work and their impact on the Group's risk profile.

#### **8. IA's relationship with regulators**

8.1 IA will have an open, constructive and co-operative relationship with the Group's regulators which supports sharing of information relevant to carrying out their respective responsibilities.

#### **9. Quality assurance and improvement programme**

9.1 The IA function will maintain a quality assurance and improvement programme that covers all aspects of the IA's activity. The programme will include a periodic evaluation of the IA function's alignment with the IIA Code and the mandatory elements of the IIA IPPF. The program will also assess the efficiency and effectiveness of the IA function and identify opportunities for improvement.

9.2 IA will periodically communicate to the ARC on the outcomes of the IA function's 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 the Group.