

Funding Circle Holdings plc

INTERNAL AUDIT CHARTER

approved by the Funding Circle Holdings plc Audit and Risk Committee
(ARC) 27 February 2025

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 (the Board) and the Funding Circle Holdings plc Audit & Risk Committee (the ARC). The IA function is responsible for independently assessing the adequacy and effectiveness of risk management, control, and governance processes.

1.2 Consequently, this IA Charter: describes the purpose 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 ARC Terms of Reference, which details the ARC responsibilities for the oversight and support of the Group IA function.

1.3 The IA Charter is reviewed annually, referenced when questions about the internal audit mandate arise, and is updated as needed.

2. Internal Audit Mandate

2.1 Purpose of Internal Audit

The IA Function aims 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 and insight on:

- Governance, risk management, and control processes.
- Decision-making and oversight by factoring in prevailing and emerging risks; and
- Ongoing initiatives to achieve its strategic objectives.

2.2 Role of Internal Audit

The primary role of the internal audit function is to conduct internal audit activities and deliver internal audit services.

2.3 Scope of work

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.

2.4 Responsibilities

IA will 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. As part of its responsibilities, IA will:

- Assess the key risks across the Group and designing a plan to conduct work necessary to provide independent assurance that these risks are adequately controlled;
- Liaise 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
- Support ad-hoc investigations or reviews as required or requested by the ARC.

The Board has delegated the following responsibilities to the ARC of managing the internal audit procedures:

- Reviewing and approving of the role and mandate of the Group's internal audit function and monitoring and reviewing the effectiveness of its work. In undertaking a review of effectiveness of the internal audit function the Committee should confirm that it is satisfied that the quality, experience and expertise of the function are appropriate for the business.
- Reviewing and approving of the annual internal audit plan and internal audit charter, and ensuring that they are aligned to the key risks of the business, and receive regular reports on work carried out under them.
- Ensuring that there is open communication and that the internal audit function evaluates the effectiveness of the risk, compliance and finance functions as part of its internal audit plan.
- Ensuring that the Internal audit function has unrestricted scope and the necessary resources and access to information to enable it to fulfil its mandate.
- Approving the appointment and removal of the director of the internal audit function (or the persons responsible for managing the outsourced internal audit provider).
- Reviewing reports to the Committee from the internal auditor and to meet the Director of Internal Audit (or the persons responsible for managing the outsourced internal audit provider) at least once a year, without management present, to discuss the effectiveness of the internal audit function, its remit and any issues resulting from audits.
- Ensuring that the Director of Internal Audit has direct access to the Board chair and to the Committee chair, providing independence from the executive and accountability to the Committee.

The Internal Audit Director 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 Global Internal Audit Standards - GIAS). 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 GIAS.

3. Standards and Codes of Practice Governing the Internal Audit function

The IA function will govern itself by aligning appropriately to the mandatory elements of the GIAS. These requirements will be reflected in the IA methodology. IA will report periodically to the ARC regarding the IA function's alignment with the GIAS.

4. Reporting Lines and Authority of IA

4.1 The internal audit function's authority is created by its direct reporting relationship to ARC. Such authority allows for free and unrestricted access to the board, as well as all activities across the organization. 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.

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

4.3 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.

4.4 Under the secondary reporting line, the CFO is responsible for:

- Approving the internal audit's function human resources administration and budgets;
- Approving the Internal Audit Director's expenses;
- Reviewing the Internal Audit Director's performance.

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

5. Independence and Objectivity of IA

5.1 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 ARC.

5.2 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.

5.3 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, including the independence of all team members; 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.

6. Reporting and monitoring

6.1 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.

6.2 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. All significant findings will remain in an open issues file until cleared.

6.3 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.

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

6.5 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.

6.6 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.

7. IA's relationship with regulators

7.1 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 as and when required.

8. Quality assurance and improvement programme

8.1 The IA function will maintain a quality assurance and improvement programme to evaluate and ensure that the IA function conforms with the GIAS, achieves performance objectives and pursues continuous improvement. The program will also assess the efficiency of the IA function and identify opportunities for improvement. The program includes internal and external assessments.