

Internal Audit Charter for Vanquis Banking Group

Purpose

The purpose of the Group Internal Audit (GIA) function is to strengthen Vanquis Banking 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. The Group encompasses Vanquis Banking Group plc and its subsidiaries – Vanquis Bank Limited, Moneybarn (comprised of Moneybarn Limited and Moneybarn No.1 Limited), USnoop Limited and Cheque Exchange Limited.

GIA enhances VBG's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

GIA is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- GIA is independently positioned with direct accountability to the Board, through the Audit Committee (a sub-committee of the Board).
- Internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

GIA 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 Group Chief Auditor (GCA) will report at least annually to the Audit Committee and senior management regarding GIA's conformance with the Standards, which will be assessed through a quality assurance and improvement programme (QAIP).

Mandate

Authority

The Group's Board, through the Audit Committee, grants GIA the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight.

GIA's authority is created by its direct reporting relationship to the Audit Committee. Such authority allows for unrestricted access to the Board.

The board, through the Audit Committee, authorises GIA 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, determine scopes of work, apply techniques, and issue communications to accomplish GIA's objectives.
- Obtain assistance from the necessary personnel of VBG and other specialised services from within or outside VBG to complete internal audit services.

Independence, Organisational Position, and Reporting Relationships

The GCA is positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of GIA. The GCA reports functionally to the Chair of the Audit Committee and administratively (i.e., for day-to-day operations) to the Chief Executive Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee / Board, when necessary, without interference, and supports the internal auditors' ability to maintain objectivity.

The GCA will confirm to the Audit Committee, at least annually, the organisational independence of GIA. The GCA 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 GIA's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the GCA, Audit Committee, and senior management on the internal audit mandate or other aspects of the internal audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the GCA, Board, Audit Committee, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

Board Oversight

To establish, maintain, and ensure that GIA has sufficient authority to fulfill its duties, the Board, through the Audit Committee, will:

- Discuss with the GCA and senior management, the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of GIA.
- Ensure the GCA has unrestricted access to and communicates and interacts directly with the Audit Committee, including in private meetings without senior management present.
- Discuss with the GCA and senior management, other topics that should be included in the internal audit Charter.
- Participate in discussions with the GCA and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve GIA’s Charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit Charter with the GCA at least annually, to consider changes affecting the organisation, such as the employment of a new GCA or changes in the type, severity, and interdependencies of risks to the organisation; and re-approve the internal audit Charter annually.
- Approve the risk-based internal audit plan.
- Approve GIA’s human resources administration and budgets.
- Approve GIA’s co-source expenses.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a GCA, as described in the Global Internal Audit Standards.
- Authorise the appointment and removal of the GCA.
- Approve the remuneration of the GCA.
- Review the GCA’s performance.
- Receive communications from the GCA about GIA, including its performance relative to its plan.
- Ensure a QAIP has been established.
- Review of the results of the QAIP at least annually.
- Make appropriate inquiries of management and the GCA to determine whether scope or resource limitations are inappropriate.

Group Chief Auditor (GCA) Roles and Responsibilities

Ethics and Professionalism

The GCA 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.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures. Depending on the circumstances, reporting might be to the Chief Executive Officer, the Chair of the Audit Committee, or to the Audit Committee members during the private session.

Objectivity

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

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively, 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. Internal auditors will comply with the GIA Objectivity Policy.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for VBG or its affiliates.
- Initiating or approving transactions external to GIA.
- Directing the activities of any VBG employee that is not employed by GIA, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties. This is largely dependent on the nature of the impairment, but appropriate parties could include the GCA or the Chair of the Audit Committee. All impairments will be logged in the GIA Conflicts Register.
- 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.

Managing GIA

The GCA has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in VBG's business, risks, operations, programmes, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of action plans.
- Communicate the results of internal audit services to the Audit Committee and senior management periodically, and for each engagement as appropriate.
- Ensure GIA collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Global Internal Audit Standards and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact VBG and communicate to the Audit Committee and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to GIA's audit methodology.

- Ensure adherence to VBG’s relevant policies and procedures unless such policies and procedures conflict with the internal audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented, and communicated to the Audit Committee and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the GCA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.

Communication with the Audit Committee and Senior Management

The GCA will report at appropriate frequencies at least annually to the Audit Committee and senior management regarding:

- GIA’s mandate.
- The internal audit plan and performance relative to its 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 QAIP, which include GIA’s conformance with The IIA’s Global Internal Audit Standards and action plans to address GIA’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 risks that GIA determines may be unacceptable or acceptance of a risk that is beyond VBG’s risk appetite.

Quality Assurance and Improvement Programme (QAIP)

The GCA will develop, implement, and maintain a QAIP that covers all aspects of GIA. The programme will include external and internal assessments of GIA’s conformance with the Global Internal Audit Standards, as well as performance measurement to assess GIA’s progress toward the achievement of its objectives and promotion of continuous improvement. The programme will also assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address GIA’s deficiencies and opportunities for improvement.

Annually, the GCA will communicate with the Audit Committee and senior management about GIA's QAIP, 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 VBG; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all of VBG's activities, assets, and personnel, as specified in the Audit Universe. The scope of internal audit activities also encompasses, but is not limited to, objective examinations of evidence to provide independent assurance and advisory / consulting services to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes for VBG.

The nature and scope of advisory / consulting services may be agreed with the party requesting the service (e.g., ExCo), provided GIA does not assume management responsibility and they do not interfere or conflict with the independence and objectivity of GIA. These services will be conducted as 'bespoke reviews'. 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 appropriate level of management. Examples include counselling, advice, facilitation, and training. In order to act upon the Group's purpose, the services provided by GIA need to be aligned with the Group's strategy and business objectives.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of VBG's strategic objectives are appropriately identified and managed (including the setting of and adherence to risk appetite).
- The actions of VBG's directors, management, employees, and contractors comply with VBG's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programmes are consistent with established goals and objectives.
- Operations and programmes are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact VBG.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.

- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.
- Internal governance mechanisms are appropriate – committees, organisational design, roles, responsibilities and accountabilities, risk management and financial controls and reporting.
- The culture, including risk and control culture, of the organisation is appropriate.
- Risks of poor customer treatment leading to conduct or reputational risks are appropriately identified and managed.
- Key corporate events including mergers, acquisitions, divestments, and large-scale change programmes / product launches are appropriately managed.

Approved by the Audit Committee at its meeting on

24 July 2024

Acknowledgments / Signatures

Carley Eaton

Group Chief Auditor

24 July 2024

Date

Paul Hewitt

Audit Committee Chair

24 July 2024

Date

Ian McLaughlin

Chief Executive Officer

24 July 2024

Date