



INTERNAL AUDIT CHARTER

2021

INTRODUCTION

This charter defines internal audit's purpose, scope of work and responsibilities.

1. Purpose and Scope Of Work

The role of internal audit is to support the board and executive management to protect the assets, reputation and sustainability of Peel Hunt Limited, together with its subsidiary undertakings (Peel Hunt). This helps Peel Hunt to achieve its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes. Internal audit will achieve this by:

- Assessing whether all significant risks have been identified and reported appropriately to the Board and executive management;
- Providing a view on whether the design and operation of key controls are effective in mitigating risk;
- Supporting executive management to improve the effectiveness of the governance, risk management and internal controls; and
- Supporting executive management to identify opportunities to improve business performance.

Internal audit operates as the third line of defence in Peel Hunt's risk management framework and the scope of internal audit's work is unrestricted and includes the assessment of:

- the identification, reporting and mitigation of risks;
- internal governance mechanisms and internal controls (including strategic and operational decision making, the promotion of appropriate ethics and the Peel Hunt values and all aspects of the first and second line of defence);
- the risk and control culture;
- the setting of, and adherence to, risk appetite;
- the integrity, reliability and timeliness of information used in operational and strategic decision making;
- the recognition of significant legislative or regulatory requirements and compliance with policies, standards, procedures, and applicable laws and regulations;
- the efficient deployment of resources and the safeguard of assets including against financial crime risks;
- the achievement of business strategy, programmes, plans and objectives; and
- Significant corporate transactions, process changes, new services and outsourcing arrangements.

Internal audit may place a degree of reliance on the work of other assurance providers, but only after a thorough evaluation of their effectiveness.

Internal audit's main purpose is to provide assurance in accordance with this charter to the audit committee and executive management. Any advisory or consultancy work to help executive management develop an

effective control environment is expected to be a small proportion of internal audit's work. Audit committee approval is required prior to the commencement of any advisory consultancy work. For example, assisting in the investigation of significant suspected fraudulent activities within the organisation and notify executive management and the audit committee of the results.

Internal audit does not provide assurance to parties outside Peel Hunt with the exception of any work requested by the regulator.

2. Access

The Chief of Internal Audit and staff from the co-source provider have unrestricted access to all functions, records, property, and personnel or attendance at meetings, as required for the effective delivery of audit activities. (A holder of highly confidential or sensitive information is entitled to restricted access to the Chief of Internal Audit or the co-source engagement partner).

Internal audit will receive the necessary assistance of Peel Hunt staff to execute their duties.

3. Independence, Objectivity and Confidentiality

The Chief of Internal Audit, under the governance of the audit committee, will remain free to decide which audits to perform, the scope, frequency and timing of its work, the procedures it follows and the contents of its reports.

Internal audit will not perform any operational management duties or have any authority over the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement. For the sake of clarity, the Chief of Internal Audit's role as a nominated recipient for whistle-blowing reports is permitted.

The Chief of Internal Audit has a primary reporting line to the Audit Committee Chair and a secondary administrative reporting line to the Chief Executive.

The Chief of Internal Audit has unrestricted access to the Board Chair and to the Audit Committee Chair.

Co-source staff working on the internal audit engagement will report to the Engagement Partner, who will work alongside the Chief of Internal Audit. The co-source staff will comply with the principles of the audit charter and must be independent of the area to be reviewed.

The Co-source provider Engagement Partner will ensure that the audit team have not undertaken, or plan to undertake, activities that compromise, or appear to compromise, the internal audit's independence and objectivity. Should such situations occur, the Engagement Partner will report the matter to the Chief of Internal Audit for resolution. The Chief of Internal Audit will report these to the audit committee, together with the actions taken. The audit committee is able to appoint another internal audit service provider to undertake audit work where the co-source provider is conflicted.

The Chief of Internal Audit will confirm to the audit committee, at least annually, the continued independence of internal audit.

Internal audit will ensure that confidentiality is maintained over all information and records obtained in carrying out audits.

4. Responsibilities

Internal audit have responsibility to:

Planning

- develop a flexible annual internal audit plan and budget using an appropriate risk-based methodology, including any risks or control concerns identified by executive management, for audit committee approval.
- align the annual internal audit plan to the internal audit longer-term strategy.
- consider the scope of work of the external auditors and other sources of assurance, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- periodically evaluate and assess changes to Peel Hunt's risk profile (such as through changing services, processes, operations) or control environment and update the annual internal audit plan to reflect these following audit committee approval.

Execution

- deliver the annual internal audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management (subject to audit committee approval), the regulator and the audit committee.
- ensure that audits are appropriately scoped to provide assurance over the highest risks.
- ensure the adequacy of corrective actions agreed with management to address control weaknesses identified.
- liaise with the external auditor and other assurance providers on a regular basis to ensure there is effective communication and collaboration.

Quality

- operate in compliance with the International Professional Practices Framework (IPPF) published by the global Institute of Internal Auditors, which includes the International Standards for the Professional Practice of Internal Auditing ('the IIA Standards'), the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing; and the Internal Audit Financial Services Code of Practice.
- ensure internal audit work is conducted with proficiency and due professional care and appropriately supervised.
- develop and maintain a Quality Assurance and Improvement Programme.
- assess conformance with the IIA Standards on an annual basis and to undertake an external assessment review at least every five years.

Reporting

- issue reports on audit engagements detailing the findings arising and the action plans that management have agreed to address those findings.
- issue periodic reports to the audit committee and management summarising the key results of audit activities and track progress in the completion of management actions to address findings arising from audit reports.
- report to the audit committee, at least annually, with 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 internal audit work in line with the IIA published recommendations.
- report to the audit committee on the progress of the internal audit function in meeting its key performance indicators, including progress against the annual internal audit plan, performance against the budget, the sufficiency of resources allocated to internal audit activity, and the outcomes of the Quality Assurance and Improvement Programme.
- Report, as required, to the remuneration committee on any significant control issues.

- report a summary of additional services provided by the co-source providers, including subject matter specialist service engagements or advice that supports consideration of their independence.
- keep the audit committee informed of emerging trends and successful practices in internal auditing.

Resourcing

- maintain access to professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.

Issue Closure Validation

- validate that the actions implemented by management to address very high, high and medium findings included in audit reports adequately address the control weaknesses identified and track their completion.

Consultancy

- undertake advisory consultancy work in line with arrangements agreed with the audit committee.

Opportunities for improving management control, profitability or Peel Hunt's standing may be identified during audits. These will be communicated to executive management.

5. Accountabilities

Peel Hunt has co-sourced internal audit. The accountabilities of the Chief of Internal Audit and the co-source engagement partner are laid out below:

The Chief of Internal Audit, in the discharge of their duties, is accountable to the Audit Committee Chair to:

- develop an annual internal audit plan that is aligned to Peel Hunt's strategic direction and business, industry and regulatory changes and supported by an up-to-date audit universe and risk assessment. This includes liaising with the external auditor and other assurance providers to ensure the most efficient use of resources.
- periodically evaluate and assess changes to Peel Hunt's risk profile (such as through changing services, processes, operations) or control environment periodically, and update the annual internal audit plan to reflect these following audit committee approval.
- develop and implement, a five-year strategy for internal audit within the Peel Hunt Group, including assessing whether the operating model for internal audit remains appropriate, and making recommendations to the audit committee as necessary regarding future changes.
- annually assess and report on the adequacy and overall effectiveness of governance, risk and the control framework of the organisation, including the risk culture.
- oversee the efficiency of work performed by the co-sourced internal audit firm, including agreeing the appropriate scheduling of audits throughout the year.
- develop and maintain a Quality Assurance and Improvement Programme to oversee the quality of work performed by the co-sourced internal audit firm, including assessing the quality, accuracy and relevance of internal audit reports produced and the management responses to issues raised in audits.
- support the co-source internal auditors in delivering the annual internal audit plan by assisting in the finalisation of reports. This includes overseeing the adequacy of corrective actions agreed with management to address control weaknesses identified and the timely completion of audits by the co-source internal auditors.
- oversee the scoping of audit engagements to ensure audits are appropriately scoped to provide assurance over the highest risks.

- escalate matters to executive management and the audit committee (including any cultural issues related to their working relationships with staff).
- approve the issuance of reports on audit engagements which detail the findings arising and the action plans that management have agreed to address those findings.
- support the co-source provider to validate that the actions implemented by management to address very high, high and medium findings included in audit reports adequately address the control weaknesses identified and tracking their completion.
- oversee monthly reports to management and quarterly reports to the audit committee on internal audit activity undertaken, including the status of the annual internal audit plan and the progress in implementing agreed management actions to address findings arising from audit reports.
- define the required format for the reporting on the progress of the internal audit function in meeting its key performance indicators, including the progress against the annual internal audit plan and performance against the budget, the sufficiency of resources allocated to internal audit activity and the outcomes of the Quality Assurance and Improvement Programme. Oversee the tone and content of such reporting.
- define the required format for the reporting on emerging trends and successful practices in internal auditing. Oversee the tone and content of such reporting.
- report as required to the remuneration committee on any significant control issues.
- annually assess and report on the effectiveness of the co-sourced internal auditors and internal audit's compliance with all relevant IIA Standards and guidance.
- act as the primary contact with the FCA and any other regulator for any internal audit related matters.
- provide advisory consultancy services in line with the scope agreed with the audit committee, while maintaining independence and objectivity at all times.

The co-source Engagement Partner, in the discharge of their duties, is accountable to the Chief of Internal Audit to:

- support the development of an annual internal audit plan that is aligned to Peel Hunt's strategic direction and business, industry and regulatory changes and supported by an update to the audit universe and risk assessment. This includes liaising with the external auditor and other assurance providers to ensure the most efficient use of resources.
- periodically evaluate and assess changes to Peel Hunt's risk profile and control environment in light of the audit findings, both individually and in aggregation, and inform the Chief of Internal Audit.
- support the Chief of Internal Audit's annual assessment of the adequacy and overall effectiveness of governance, risk and the control framework of the organisation (including the risk culture and themes and trends emerging from internal audit's work).
- report to the audit committee in the agreed format on the progress of the internal audit function in meeting its key performance indicators, including the progress against the annual internal audit plan and performance against the budget, the sufficiency of resources allocated to internal audit activity, and the outcomes of the Quality Assurance and Improvement Programme.
- present to the audit committee in the agreed format on emerging trends and successful practices in internal auditing.
- allocate resources with the necessary knowledge, skills and experience to audit work and provide appropriate training and development to the internal audit team to ensure they have the capability to meet their responsibilities.
- deliver the annual internal audit plan agreed with the audit committee ensuring that all audit work is performed with proficiency and professionalism, including the application of sufficient knowledge, skills and competence to perform audits effectively. Ensure audits are delivered within agreed timeframes, subject to timely access to management and information. In cases of limited access, a list of outstanding information and/or meetings will be provided to the Chief of Internal Audit.
- ensure that audits are appropriately scoped to provide assurance over the highest risks.

- ensure the adequacy of corrective actions agreed with management to address control weaknesses identified.
- prepare for review by the Chief of Internal Audit reports on audit engagements detailing the findings arising and the action plans that management have agreed to address those findings.
- validate that the actions implemented by management to address very high, high and medium findings included in audit reports adequately address the control weaknesses identified and track their completion.
- issue monthly reports to management and quarterly reports to the audit committee on internal audit activity undertaken, including the status of the annual internal audit plan and the progress in implementing agreed management actions to address findings arising from audit reports.
- ensure all work is conducted with proficiency and due professional care in line with the agreed methodology and appropriately supervised.
- address feedback identified through the Quality Assurance and Improvement Programme.
- provide a summary of additional services provided by the co-source providers, including subject matter specialist service engagements or advice that supports consideration of their independence.
- provide advisory consultancy services in line with the scope agreed with the audit committee, while maintaining independence and objectivity at all times.
- support the Chief of Internal Audit in liaising with the external auditor and other assurance providers on a regular basis to ensure there is effective communication and collaboration.

6. Advisory Consultancy Work

Internal audit's main purpose is to provide assurance in accordance with this charter to the audit committee and management.

However, internal audit may perform special reviews and/or consulting activities from time to time as requested by management, the audit committee, the board/ management committee or the FCA. Approval must be sought from the audit committee prior to commencement of such work.

The Chief of Internal Audit will ensure that the function's involvement in consulting activities does not compromise the internal audit's independence and objectivity. Where situations occur that may affect the function's independence and objectivity, the Chief of Internal Audit will report matter to the audit committee for resolution.

7. Periodic Assessment

The Chief of Internal Audit will self-assess conformance with this charter at least annually.

The audit committee will review the charter at least annually.

Approved by the audit committee in 6 October 2021.