LCH Ltd
INTERNAL AUDIT CHARTER & MANDATE

To be approved by the LCH Ltd Audit Committee
To be reported to the LCH Ltd Board

1. Purpose

LCH Ltd Internal Audit is responsible for providing risk-based objective and independent assurance advice, insight and foresight to the LCH Ltd Board and Management on the adequacy and effectiveness of the system of internal controls, the governance model and the risk management framework in place to manage risks within the Company's risk appetite and achieve the Board's business objectives.

The primary purpose of Internal Audit[1] is to help the Board and executive management to protect the assets, reputation and sustainability of LCH Ltd. It does this by:

- Providing independent, risk-based and objective assurance, advice, insight and foresight.
- Assessing whether all significant risks are identified and appropriately reported by management to the board and senior management.
- Evaluating whether the organisation is adequately controlled.
- Challenging and influencing senior management to improve the effectiveness of governance, risk management and internal controls, including identifying efficiencies and removing duplicative and/ or redundant controls.

2. Internal Audit Mandate

2.1 Authority

Internal Audit derives its authority from the LCH Ltd Board and has direct access to the Board, and the LCH Ltd Audit Committee. The Chair of the Audit Committee reports regularly to the Board on all aspects relating to the Committee.

Internal Audit has full and unrestricted access to all activities, records (in both paper and electronic format), property and personnel necessary to accomplish the stated purpose in so far as such access is relevant to its auditing activities. Internal Audit will also have access to third parties (including external auditors) performing services delegated to them by the Company. Access to contracted third parties will be handled in accordance with contractual terms.

Internal Audit is authorised to allocate resources, select business units and processes and the frequency of review, determine audit scope and apply audit tools and techniques and obtain the necessary assistance and specialised services within or outside the Company to achieve its objectives.

The HoIA (or a designated substitute) has the right to attend all Management committees as an invitee, including the LCH Ltd Management Committee and its sub-committees for the full duration of the meetings. Internal Audit also has the right to be informed by Management, on a timely basis, of any potential or actual significant control failures or fraud identified by Management or by any other parties.

2.2 Role and Responsibilities

Internal Audit is accountable for developing a risk-based programme of work to provide sufficient assurance on the effectiveness of the risk management framework, key business risks and controls and governance arrangements across the Company. Internal Audit uses a risk-based approach to determine the coverage, frequency and scope of its audit activities.

[1] Internal Audit Code of Practice, Chartered Institute of Internal Auditors, effective January 2025

At the request of the Board or Management, Internal Audit may provide advice and consultancy on the risk management framework, key business risks and controls and governance arrangements to the Company ensuring that its independence and objectivity are maintained. Internal Audit may also use its discretion to perform consultancy work when this will result in a strategic or commercial benefit to the Company and provided such reviews do not compromise Internal Audit's objectivity or independence.

Internal Audit will also undertake reviews of specific areas or remediation activity at the request of the Company's regulators.

The LCH Ltd Head of Internal Audit (HoIA) is responsible for ensuring that the audit function is well resourced and has access to the relevant skills, knowledge and competencies required to deliver the programme of assurance and consultancy work. This can be achieved through co-sourcing and outsourcing arrangements subject to approval of the Audit Committee.

The HoIA ensures that Internal Audit will fulfil its responsibilities outlined within this document and will conform with the Institute of Internal Auditors (IIA) Global Internal Audit Standards, including the principles of Ethics and Professionalism.

2.3 Scope of Work

Internal Audit has an unrestricted scope and access to all areas of Company and information, including all operations, processes and systems within the legal entity, majority-owned joint-ventures, and other business partnerships and outsourcing arrangements. Where regulatory authorities require specific governance arrangements for some Company activities, Internal Audit will establish working protocols to ensure the same level of assurance as with the other Company activities.

The key activities of the Internal Audit function include:

- Conduct assurance engagements over internal controls and processes, consulting reviews, thematic reviews and when required investigations.
- Maintain and improve the audit methodology in line with regulatory requirements and the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA), and to perform audits in line with that methodology.
- Design an annual risk-based audit plan as part of a risk-based coverage cycle. The annual plan is presented for approval to the Audit Committee of LCH Ltd as well as any subsequent substantial changes to the plan.
- Review the plan on at least a bi-annual basis to ensure it includes new and emerging risks and any changes in the risks' dependencies.
- Maintain and update the audit universe of LCH Ltd.
- Undertake the audits included in the annual plan and, where appropriate, identify where internal controls require enhancement to enable LCH Ltd to manage its risks appropriately
- Conduct other engagements, such as consultancy reviews, as requested by the Board and/or Management, provided such reviews do not compromise its objectivity or independence.
- Ensure each engagement includes the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and agreed management actions to appropriate parties.
- Implement a risk-based programme to confirm that management actions resulting from audit findings are being adequately implemented.

- Ensure the principles of integrity, objectivity, competency, due professional care and confidentiality are applied and upheld.
- Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this Charter.
- Report regularly to the LCH Ltd Audit Committee on the matters outlined in section 4 “Communication with the LCH Ltd Audit Committee and Senior Management”.

Internal Audit may also undertake certain investigation activities; these are limited to internal matters (including whistle-blowing incidents) and can be executed jointly with other teams such as Human Resources, Legal and the Compliance teams.

3. Governance and Independence

The HoIA reports functionally to the Chair of the LCH Ltd Audit Committee. The Audit Committee Chair serves as the primary point of contact between the Internal Audit function and the Board, to which the HoIA has a direct access, as reflected in the Terms of Reference of the Audit Committee.

The independence of Internal Audit from the operations of the Company is fundamental to its ability to deliver objective assurance. To reinforce its independence, and ensure the function has sufficient authority to fulfil its duties, the LCH Ltd Audit Committee:

- Must approve the appointment or the dismissal of the HoIA.
- Approves the internal audit plan, annual budget and resource plan for Internal Audit.
- Monitors the performance of the Internal Audit Function relative to its plan and other matters.
- Discusses and approves the Internal Audit Charter and Mandate which is updated at least once a year.
- Reviews the Internal Audit Charter and Mandate for any significant changes which includes, but are not limited to:
    - A notable change in the Global Internal Audit Standards.
    - A significant acquisition or reorganisation.
    - Significant changes in the Board, senior management or HoIA.
    - New laws or regulations that may affect the nature and/or scope of Internal Audit services.
    - Significant changes to the organization’s strategies, objectives, risk profile, or the environment in which it operates.
- Assesses and confirms any changes affecting the Company including risks, severity and interdependences.
- Assesses and confirms the independence of Internal Audit each year.
- Engage with senior management to ensure that the Internal Audit function is free from interference when determining its scope, performing Internal Audit engagements, and communicating results.
- Provide the HoIA with opportunities to discuss significant and sensitive matters with the Board, including meetings without senior management present.

In addition, the Chair of the LCH Ltd Audit Committee reviews the performance and objectives of the HoIA with support from the Company Chief Executive Officer.

Internal Audit has no operational responsibilities over the entities/processes that it reviews. Internal auditors that have worked in other areas of the Company will not perform or manage reviews in the business areas for which they were previously responsible for 12 months subsequent to joining Internal Audit.

To ensure the independence and objectivity of the Internal Audit function, Internal audit adheres to the Group and LSEG Internal Audit's Conflicts of Interest Policies which includes means to identify and address any actual, potential, or perceived impairments to the Internal Audit function's independence.

For areas where the HoIA has identified a conflict of interest or a potential impairment of the objectivity of the function, the HoIA should seek alternative solutions including assistance from external parties subject to the approval of the Chair of the LCH Ltd Audit Committee. All conflicts of interest must be reported to the LCH Ltd Audit Committee. In addition, the HoIA will confirm to the LCH Ltd Audit Committee annually the organisational independence of the Internal Audit function.

For matters related to internal audit services and practices, the HoIA reports with a dotted line to the Head of Audit LSEG Markets with access, when required, to the London Stock Exchange Group Chief Internal Auditor.

Whilst being separate and independent from the other functions and activities of the Company, the HoIA has unrestricted access to the Chief Executive Officer and to the LCH Ltd Management Committee, in order to stay informed about the organization's evolving risk profile and adjust the internal audit activities accordingly.

4. Communication with the LCH Ltd Audit Committee and Senior Management

The HoIA will report periodically to the LCH Ltd Audit Committee and senior management on matters set out in the Internal Audit Stakeholder Communications Plan regarding:

- The IA function charter and mandate.
- The IA plan, any revisions and performance relative to its plan.
- IA budget.
- Significant revisions to the IA plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the Quality Assurance programme.
- Significant risks exposures and control issues, including fraud risks, governance issues, and other areas of focus for the LCH Ltd Audit Committee such as issues arising that could compromise the organisations' values and objectives.
- Results of assurance and consultancy services.
- Confirmation of the adequacy of LCH Ltd Internal Audit's resources.
- Managements' responses to risk that the IA function determines to be unacceptable or acceptance of a risk that is beyond the risk appetite.
- The performance and effectiveness of the outsource service provider LSEG Business Services Limited (BSL) in the provision of Audit Services.
- An overall assessment of the adequacy and effectiveness of the risk management and internal control processes via an annual audit opinion on the control environment and risk culture of LCH Ltd.

Senior Management should support the Internal Audit Mandate throughout the Company and promote the authority granted to the Internal Audit function.

Communication with stakeholders during an Internal Audit engagement is a critical component of the audit process. Internal Audit will maintain open and continuous dialogue with relevant stakeholders, including senior management, the LCH Ltd Audit Committee, and operational staff, to ensure clarity and transparency throughout the audit. Regular updates will be provided on audit progress, findings, and any emerging issues. This communication will occur through

formal meetings, interim reports, and informal discussions as necessary to facilitate a mutual understanding of the audit's objectives and scope.

In the event of disagreements during the audit process, Internal Audit will employ a structured approach to manage and resolve these differences. Initially, the issue will be discussed directly with the involved parties to seek a resolution through consensus. If a consensus cannot be reached, the matter will be escalated to higher levels of management and, if necessary, to the LCH Ltd Audit Committee. This escalation process ensures that all concerns are addressed fairly and in a timely manner, while maintaining the integrity and independence of the Internal Audit function.

5. Reliance on work of others

Internal Audit may rely on assurance provided by other control functions as well as the audit functions of joint ventures, or subsidiaries subject to performing appropriate due diligence and receiving periodic confirmation that such assurance work conforms to Institute of Internal Auditors (IIA) or equivalent professional body standards. Internal Audit reserves the right to perform its own procedures if insufficient reliance can be placed on the work of other audit/ control functions.

The HoIA coordinates the Internal Audit function's assurance engagements with other assurance providers to reduce the frequency and redundancy of engagements, maximizing the efficiency of assurance coverage. When Internal Audit relies on the work of other assurance service providers, the HoIA must document the basis for that reliance and is still responsible for the conclusions reached by the Internal Audit function.

6. Internal Audit Standards

Internal Audit adheres to the 2024 Institute of Internal Auditor's International Professional Practices Framework (IPPF), including the Global Internal Audit Standards[2]. The HoIA reports periodically to the Audit Committee regarding Internal Audit's conformance to the Standards and on how the principles in the Internal Audit Code of Practice from the Chartered Institute of Internal Auditors have been applied.

7. Quality Assurance and Improvement Programme

Internal Audit maintains a quality assurance programme that covers all aspects of Internal Audit. The program includes an evaluation of Internal Audit's conformance with the Standards and identifies opportunities for improvement. Annually, the HoIA will communicate the results of the quality assurance programme with the Audit Committee.

The HoIA will inform the Audit Committee if any issued audit report is withdrawn due to errors/ inconsistency.

An external assessment will be conducted at least once every five years by a qualified, independent assessor. Qualifications must include at least one assessor holding an active Certified Internal Auditor® credential. The results of the external assessments will be reported to the Audit Committee.

Approved by the LCH Ltd Audit Committee on **24 November 2025**

[2] The Global Internal Audit Standards are available at: globalinternalauditstandards_2024january9_editable.pdf (theiia.org)