

## Internal Audit Charter

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### Purpose

Group Internal Audit (GIA) is responsible for providing objective and independent assurance to the Board of the London Stock Exchange Group ('The Group'), subsidiary operating boards 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 Group's risk appetite and achieve The Group's and subsidiary operating board's business objectives.

### Role and Responsibilities

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

At the request of the Board or Management, Internal Audit may provide advice on the risk management framework, key business risks and controls and governance arrangements to the Group or subsidiary operating boards, ensuring that its independence and objectivity are maintained. Internal Audit will also undertake reviews of specific areas or remediation activity at the request of regulators.

The Group Chief Internal Auditor (GCIA) 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. This can be achieved through co-sourcing and outsourcing arrangements subject to approval of the Audit Committee.

### Governance and Independence

The GCIA is accountable to and reports to the Chair of the Group's Audit Committee, with a reporting line to the Group's Chief Financial Officer for administrative purposes only. The Heads of Audit for certain subsidiary legal entities also report directly to those respective Audit Committees (or, in absence of an Audit Committee, directly to the Board) and, in addition, report to the GCIA (functionally) and respective Chief Executive Officers (administratively).

The independence of Internal Audit from the operations of the Group is fundamental to its ability to deliver objective assurance. To reinforce its independence, the Group's Audit Committee:

- Must approve the appointment or the dismissal of the GCIA.
- Through the Audit Committee Chair, reviews the performance and objectives of the GCIA with support from the Group CFO.
- Approves the annual budget and resource plan for internal audit.
- Approves the internal audit's charter which is updated at least once a year.
- Assess and confirm the independence of Internal Audit each year.

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

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

## **Authority**

Internal Audit derives its authority from the Group Board and has direct access to the Group Board, the Group Audit Committee and the boards of operating subsidiaries. The Chair of the Group Audit Committee reports regularly to the Board on all aspects relating to the Committee. In addition, Internal Audit has direct access to the Chief Executive Officer.

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 Group, 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 Group to achieve its objectives.

The GCIA (or a designated substitute) has the right to attend all management committees as an invitee, including ExCo 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.

## **Scope of Work**

Internal Audit's scope includes all operations, processes and systems within legal entities, majority-owned joint-ventures, and other business partnerships and outsourcing arrangements. Where regulatory authorities require specific governance arrangements for some Group entities, Internal Audit will establish working protocols to ensure the same level of assurance as with all other entities of the Group.

The key activities of the internal audit function include:

- a) 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.
- b) 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 the Group as well as any subsequent substantial changes to the plan.
- c) Review the plan on a bi-annual basis to ensure it includes new and emerging risks.
- d) Maintain and update the audit universe of the Group.
- e) Undertake the audits included in the annual plan and propose recommendations on internal controls enhancements.
- f) Conduct other engagements requested by the Board and/or management, provided such reviews do not compromise its objectivity or independence.
- g) 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 recommendations to appropriate parties.
- h) Investigate all instances of whistleblowing reported to the GCIA.
- i) Implement a programme to confirm that management actions resulting from audit findings are being adequately implemented.

- j) Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- k) Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the this Charter.
- l) Report regularly to the Group Audit Committee on the following matters:
- Progress against the Audit Plan.
  - Proposed changes to the audit plan for approval by the Audit Committee.
  - Significant control issues identified, actions taken to improve risk management and control processes and overdue audit points.
  - Assessment of the adequacy and effectiveness of the Group’s risk management and internal control processes.
  - Confirmation of the adequacy of Group Internal Audit’s resources.
  - The effectiveness of the internal audit function.
  - The number and nature of whistleblowing incidents.

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.

#### **Reliance on the 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 confirming that they meet IIA requirements. Internal Audit reserves the right to perform its own procedures if insufficient reliance can be placed on the work of other audit functions.

#### **Internal Audit Standards and Ethics**

Internal audit adheres to the IPPF, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The GCIA reports periodically to the Audit Committee regarding Internal Audit’s conformance to the Code of Ethics and the Standards.

The IIA’s international standards for the professional practice of internal auditing are available at: <https://www.iaa.org.uk/resources/ippf/international-standards/>

The IIA’s Code of Ethics can be found at: <https://www.iaa.org.uk/resources/ippf/code-of-ethics/>

#### **Quality Assurance and Improvement Programme**

Internal Audit maintains a quality assurance and improvement programme that covers all aspects of Internal Audit. The program will include an evaluation of Internal Audit’s conformance with the Standards, an evaluation of whether internal auditors apply The IIA’s Code of Ethics identify opportunities for improvement. An external assessment will be conducted at least once every five years by a qualified, independent assessor.

The GCIA will provide the Group Audit Committee the results of the quality assurance and improvement programme. Including results of external assessments conducted.

Approved by the LSEG Audit Committee on 01 December 2020