

Internal Audit Charter 2025

Purpose of this Charter

This Charter formally defines Internal Audit's purpose, authority, mandate and responsibility. It establishes Internal Audit's position within The Law Debenture Corporation plc (hereafter referred to as "LawDeb") and defines the scope of internal audit activities. The Internal Audit function is outsourced to BDO, as per the Engagement Letter dated 13th June 2025.

Internal Audit's Purpose

The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation and sustainability of LawDeb. It does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit acts primarily to provide the Audit and Risk Committee ("ARC") with information necessary for it to fulfil its own responsibilities and duties. Implicit in Internal Audit's role is that it supports management to fulfil its own risk, control and compliance responsibilities.

Internal Audit's Authority

The BDO Head of Internal Audit and internal audit staff are authorised to:

- Have unrestricted access to all of the Firm's records, property, and personnel relevant to the performance of engagements
- Obtain the necessary assistance of the company's personnel in relevant engagements, as well as other specialised services from within or outside the Firm
- Have sufficient and timely access to key management information and decisions. Internal Audit has no authority or management responsibility for any of its engagement subjects. Internal Audit will not make any management decisions or engage in any activity which could reasonably be construed to compromise its independence.

Internal Audit's Responsibility

The BDO Head of Internal Audit is responsible for all aspects of internal audit activity, including strategy, planning, performance, and reporting. For each, the BDO Head of Internal Audit will:

Strategy:

- Develop and maintain an Internal Audit Strategy
- Review the Internal Audit Strategy at least annually with management and the ARC.

Planning:

- At least annually, develop an Internal Audit Plan to fulfil the requirements of this Charter and the Internal Audit Strategy
- Engage with management and consider LawDeb's strategic and operational objectives, compliance requirements and related risks in the development of the Internal Audit Plan
- Liaise with the Chief Executive Officer and Head of Legal, Risk & Compliance to co-ordinate assurance activity
- Review the Internal Audit Plan periodically with management
- Present the Internal Audit Plan, including updates, to the ARC for periodic review and approval
- Prepare an internal audit budget sufficient to fulfil the requirements of this Charter, the Internal Audit Strategy, and the Internal Audit Plan
- Submit the internal audit budget to the ARC for review and approval annually
- Coordinate with and provide oversight of other control and monitoring functions, including risk management, compliance & ethics, and external audit
- Consider the scope of work of the external auditors for the purpose of providing optimal audit coverage to the Firm

Performance

- Deliver the Internal Audit Plan
- Maintain professional resources with sufficient knowledge, skills and experience to meet the requirements of this Charter, the Internal Audit Strategy and the Internal Audit Plan
- Allocate and manage resources to accomplish internal audit engagement objectives
- Establish and maintain appropriate internal auditing procedures incorporating fit for purpose approaches and techniques
- Monitor delivery of the Internal Audit Plan against the budget
- Ensure the ongoing effectiveness of internal audit activities.

Reporting

- Meet regularly with the Chief Executive Officer and Head of Legal, Risk & Compliance to discuss audit progress and emerging issues
- Issue a report to management at the conclusion of each engagement to confirm the results of the engagement and the timetable for the completion of management actions to be taken
- Provide periodic reports to management and the relevant ARC summarising internal audit activities and the results of internal audit engagements
- Provide periodic reports to management and the relevant ARC on the status of management actions taken in response to internal audit engagements
- Report annually to the relevant ARC and management on internal audit performance against goals and objectives
- Report, as needed, to the relevant ARC on management, resource, or budgetary impediments to the fulfilment of this Charter, the Internal Audit Strategy or the Internal Audit Plan
- Inform the relevant ARC of emerging trends and practices in internal auditing.
- Report, as needed, to the relevant ARC regarding management responses to risk that internal audit determines may be unacceptable or acceptance of a risk that is beyond LawDeb's approved risk appetite.

Independence and Position within Law Deb

The BDO Head of Internal Audit has free and full access to the Chair of the ARC. The BDO Head of Internal Audit liaises with the Chief Executive Officer for escalation matters and reports to the Head of Legal, Risk & Compliance who provides day-to-day oversight, but our reporting line to the Chair of the ARC.

The appointment or removal of the BDO Head of Internal Audit will be performed in accordance with established procedures and subject to the approval of the Chair of the relevant ARC.

The Internal Audit service will have an impartial, unbiased attitude and will avoid conflicts of interest.

The BDO Head of Internal Audit will confirm to the relevant ARC, at least annually, the organisational independence of the internal audit function. If the independence or objectivity of the internal audit service is impaired, details of the impairment should be disclosed to either the Chief Executive Officer or the Chair of the ARC, dependent upon the nature of the impairment.

The internal audit service is not authorised to perform any operational duties for LawDeb, initiate or approve accounting transactions external to the service, or direct the activities of any company employee not employed by the internal auditing service, except to the extent such employees have been appropriately assigned to the service or to otherwise assist the Internal Auditor.

Relationship with the Regulator

The BDO Head of Internal Audit, and other senior managers within Internal Audit, will maintain an open, constructive and co-operative relationship with regulators of the Firm, which supports sharing of information relevant to carrying out their respective responsibilities.

Internal Audit's Scope

The scope of internal audit activities includes all undertakings conducted by LawDeb and its subsidiary companies. Areas for coverage will be determined taking account of risk including the materiality to the group, the potential impact of failure and the failure to meet regulatory requirements. The Internal Audit Plan identifies those activities that have been identified as the subject of specific internal audit engagements.

Areas for particular attention identified within Chartered Institute of Internal Auditor's (CIIA) Code of Practice (the 'Code')*

1. Purpose, strategy and business model
2. Organisational culture
3. Internal Governance
4. Risk appetite
5. Key corporate and external events
6. Capital and Liquidity risks
7. Risks of poor customer treatment, giving rise to conduct or reputational risk
8. Environmental sustainability, climate change risks and social issues
9. Financial crime, economic crime and fraud
10. Technology cyber, digital and data risks.
11. Risk management compliance, finance and control functions
12. Outcomes of processes.

At least annually, internal audit's reporting to the relevant ARC will include an overall opinion on the effectiveness of the governance, and risk and control framework of LawDeb, and its overall opinion on whether the organisation's risk appetite is being adhered to.

Assurance engagements involve the objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature and scope of the assurance engagement are determined by Internal Audit.

Consulting engagements are advisory in nature and are generally performed at the specific request of management. The nature and scope of consulting engagements are subject to agreement with management. When performing consulting services, Internal Audit should maintain objectivity and not assume management responsibility.

*The CIIA Code of Practice 2024 is effective from January 2025 onwards

Internal Audit Methodology

BDO Internal Audit will use a risk based internal auditing methodology to deliver Internal Audit reviews and consider proportionality across the Firm.

Standards of Internal Audit Practice

Internal Audit will perform its work in accordance with the Institute of Internal Auditors ("IIA's") Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements (collectively known as the 'Standards'), and the CIIA Code of Practice. This Charter is a fundamental requirement of the Framework.

The BDO Head of Internal Audit will report on an annual basis to the ARC and Executive Management on IA's conformance with the Standards and Code, which will be assessed through the 'Quality Assessment and Improvement Programme' and the results of quality assessment and improvement reviews carried out. This will include the conduct of an external audit quality assessment and improvement review at least every five years. The most recent external quality control review was conducted by the Chartered Institute of Internal Auditors in 2021 and concluded "BDO LLP's outsourced internal audit services generally conform with the IPPF. We have also concluded that BDO's internal audit services generally conform to the FS Code."

Approval of this Charter

This Charter shall be reviewed and approved annually by the ARC on behalf of the Board of LawDeb. Circumstances may justify a follow-up discussion between the BDO Head of Internal Audit, ARC, and Executive Management regarding the Charter. Such circumstances may include, but are not limited, to:

- A significant change to the Global Internal Audit Standards and/or Code of Practice.
- A significant acquisition or reorganisation within LawDeb.
- Significant changes in the Head of Internal Audit, Board, and/or Executive Management.
- Significant changes to the LawDeb's strategies, objectives, risk profile, or the environment in which LawDeb operates.
- New laws or regulations applicable to LawDeb that may affect the nature and scope of internal audit services.