

Metro Bank PLC

Internal Audit Charter

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Contents

Internal Audit Purpose Statement

- 1. Role**
- 2. Professionalism**
- 3. Authority and Access to Records, Personnel and Property**
- 4. Administrative Reporting Responsibilities**
- 5. Objectivity and Independence**
- 6. Responsibility**
- 7. Internal Audit Plan**
- 8. Audit Reporting and Monitoring**
- 9. Periodic assessment**

Internal Audit Purpose Statement

“The role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively.” – Chartered Institute of Internal Auditors – UK and Ireland

1 – Role

The primary role of Metro Bank’s Internal Audit is to assist the Board and Executive Management to protect the assets, reputation and sustainability of the Bank by providing risk based objective assurance and insight.

Metro Bank adopts the three lines of defence model (MBPOL13 Enterprise Risk Management Policy.v3) to manage its risks. Internal audit is the third line of defence. As an independent function, Internal Audit assesses whether all significant risks are identified and appropriately reported by management and the Risk Function to the Board and Executive Committee (ExCo); and assessing whether they are adequately controlled. This will be achieved through a systematic approach to assessing the effectiveness of risk management, control and governance processes in monitoring, managing and mitigating the risks to the achievement of Metro Bank business objectives.

Internal Audit, where appropriate, coordinates with the second line and Risk Assurance and will review the work performed by the second line functions, as appropriate.

2 – Professionalism

The internal audit activity will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practice Framework (IPPF) including the Core Principles and International Standards of the Professional Practice of Internal Auditing and the Code of Ethics. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance. The Chief Internal Auditor will report periodically to the Audit Committee regarding the Internal Audit’s conformance with the Code of Ethics, the Standards and the CIIA’s Financial Services Code.

3 - Authority and Access to Records, Personnel and Property

Internal Audit is established by, and its responsibilities are defined by the Audit Committee, a sub-committee of the Board of Directors. Internal Audit is granted full, free, and unrestricted access to any and all records, information, physical properties and personnel relevant to any function or area within Metro Bank (including where such information is held by third parties). The Chief Internal Auditor should have a right of access to the Chair of the Board, the Chair of the Audit Committee, other Board Committees (e.g. Risk Oversight Committee) as deemed appropriate and to the Chief Executive Officer. Internal Audit will ensure confidentiality is maintained in respect of all information and records obtained in the course of performing its duties.

The Chief Internal Auditor (or nominated alternate) has right to attend and regularly attends the ExCo meetings.

4 – Administrative Reporting Responsibilities

The Chief Internal Auditor will report primarily to the Chair of the Audit Committee and has a secondary reporting line to the Chief Executive Officer. The Chair of the Audit Committee is accountable for setting the objectives of the Chief Internal Auditor, appraising the performance of the Chief Internal Auditor considering also the views of the Chief Executive Officer and evaluating the effectiveness of the Internal Audit function. This appraisal will consider the independence, objectivity and tenure of the Chief Internal Auditor. The Chair of the Audit Committee is accountable for recommending the remuneration of the Chief Internal Auditor to the Remuneration Committee. The remuneration of the Chief Internal Auditor will be structured in such manner which avoids conflicts of interest, does not impair their independence and objectivity and is not directly or exclusively linked to the short term performance of the Bank.

5 - Objectivity and Independence

The internal audit activity will remain free from interference by any element in the Bank, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal Auditors will have no direct operational responsibility or authority over any of 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 internal auditor's judgement.

Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating,

and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Chief Internal Auditor will confirm to the Board, at least annually, the organisational independence of the internal audit activity. Should independence or objectivity be impaired, the details of the impairment will be reported to the Audit Committee.

6 – Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Bank's governance, risk management, and internal control processes in relation to the Bank's defined goals and objectives. Internal control objectives considered by internal audit include:

- Risks relating to the achievement of Metro Bank's strategic objectives are appropriately identified and managed.
- The results of operations or programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with policies, procedures, laws, and regulations that could significantly impact Metro Bank.
- Information and the means to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are protected adequately.

Internal Audit is responsible for evaluating all key processes ('audit universe') of the entity including governance processes and risk management processes. The Chief Internal Auditor will be responsible for establishing and leading the Internal Audit department, ensuring that it is fit for purpose and has sufficient skill and expertise to undertake its activities;

Internal audit may perform consulting and advisory services related to governance, risk management and control as appropriate for the Bank. It may also evaluate specific operations at the request of the Board or the ExCo, as appropriate.

Internal audit may perform attestation/ audit activities as required by payment schemes (e.g. BACS re Account Switching Services) and/or the regulators.

Based on its activity, Internal audit is responsible for reporting significant risk exposures and control issues identified to the Board and to ExCo, including fraud risks, governance issues, and other matters needed or requested by the Board.

7 – Internal Audit Plan

At least annually, the Chief Internal Auditor will submit to the Audit Committee an internal audit plan for review and approval, including risk assessment criteria. The internal audit plan will include timing as well as budget and resource requirements for the next fiscal/calendar year. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to ExCo and the Board.

The internal audit plan will be developed to conform to good practice and professional standards based on a prioritization of the audit universe using a risk-based methodology, including input of ExCo and the Audit Committee. Prior to submission to the Board for approval, the plan may be discussed with appropriate ExCo. Any significant deviation from the approved internal audit plan will be communicated through the periodic activity reporting process.

8 – Audit Reporting and Monitoring

A written report will be prepared periodically and issued by the Chief Internal Auditor or designee and will be distributed to the Audit Committee. Internal audit results will also be communicated to the Board by the Chair of the Audit Committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

9 – Periodic Assessment

The Chief Internal Auditor is responsible also for providing periodically a self-assessment on the internal audit activity as regards its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

In addition, the Chief Internal Auditor will communicate to ExCo and the Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.