

PRIVATE AND CONFIDENTIAL

Permanent TSB

GIA Charter

Group Internal Audit

October 2022

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Group Internal Audit

Charter Sponsor

The Sponsor is the individual on the executive team who is responsible for overseeing the development, content and approval of the procedure. The Sponsor is the Head of Group Internal Audit.

Charter Owner

The Owner is responsible to the Sponsor for developing, reviewing, updating, if required, and maintaining the Charter. The Owner is responsible for ensuring all subject matter experts are consulted in the development process. The Owner is the Head of Group Internal Audit.

Document Approval

The Owner will review the Charter on an annual basis and / or following any significant market, regulatory or business developments impacting on this document. The Charter will be updated annually and presented to Board Audit Committee for approval, and a new version published when required.

INTERNAL AND EXTERNAL USE

The GIA Charter is publicly available in line with the Internal Audit Financial Services Code of Practice ('FS Code').

Effective Date:

October 2022

Governance

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1. Introduction

1.1 Introduction

GIA will be governed by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework ('IPPF'), including the IIA Standards. IIA Standard 1000 – Purpose, Authority, and Responsibility states the following:

“The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing).”

As part of this standard, the Head of Group Internal Audit must periodically review the GIA charter and present it to senior management and Board Audit Committee for approval.

The Internal Audit Charter enables GIA to carry out its third line responsibilities as part of the Group's Three Lines of Defence governance model.

1.2 Document Audience

The intended audience of this document is:

- All members of the Board Audit Committee ('BAC')
- All members of the Executive Committee ('ExCo')
- Group Internal Audit Staff
- Regulator
- External Auditors
- Public

1.3 Relationship with Other Documentation

This document forms part of an overarching suite of GIA Governance documentation including GIA Methodology and GIA Strategic Vision.

1.4 Contact Details

Questions or comments regarding this procedure should be directed to the Charter Owner

2. Mission and role

Internal auditing, as defined by the Institute of Internal Auditors (IIA), is *“an independent, objective assurance and consulting activity designed to add value and improve [PTSB’s] operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”*.

As the Third Line of Defense, GIA provides independent, objective, and reasonable assurance to its key stakeholders on the effectiveness of the PTSB’s risk management and internal control framework, and also to protect the assets, reputation and sustainability of the Bank.

GIA’s mission is to provide effective, responsive and highly valued internal audit service that adds value to, and improves PTSB’s operations, by providing risk-based and objective assurance, advice and insight. 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. This enables GIA to provide reasonable and objective assurance to the Board, Executive Committee and other interested parties (including the regulators / supervisors, and external auditors).

While maintaining its independence, GIA may also provide consulting advice as required on risk management and control issues through, for example, attendance at steering committees or workshops.

3. Standards for Professional Internal Auditing Practice

GIA will be governed by adherence to the mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework (‘IPPF’). GIA conforms to the following:

- The Core Principles for the Professional Practice of Internal Auditing;
- The Code of Ethics; and
- The International Standards for the Professional Practice of Internal Auditing.

GIA also conforms to the Internal Audit Financial Services Code of Practice (‘FS Code’), which is regarded as a benchmark of good practice against which financial services organisations can assess their internal audit function.

In addition, GIA will undertake its activities in line with the relevant requirements in the following:

- Basel Committee on Banking Supervision (BCBS) paper ‘The Internal Audit Function in Banks’
- The European Banking Authority (‘EBA’) ‘Final Report Guidelines on internal governance under Directive 2013/36/EU’ (EBA/GL/2017/11) which came in to effect on 30 June 2018.

GIA has a Quality Assurance Programme in place to support ongoing adherence and conformance with relevant internal audit standards and guidelines (See Section 8). The Head of Group Internal Audit (‘HGIA’) will report periodically to the BAC in relation to this quality assurance activity.

4. Authority

The Head of Internal Audit ('HGIA') reports directly to the Chair of the BAC, with a second reporting line to the CEO for administrative purposes. To ensure that GIA has sufficient authority to fulfill its duties, the BAC:

- Approves the Group Internal Audit Charter (annually);
- Reviews and approves the annual Internal Audit Plan (and subsequent changes thereto) and thereafter monitors its implementation;
- Monitors and reviews the effectiveness and adequacy of the Company's Internal Audit function (and its activities), ensuring that it is adequately resourced, has appropriate independent authority and standing and is free from constraint by management or other restrictions;
- Approves the appointment of the Head of Group Internal Audit or makes recommendations to the Board with regard to the removal or dismissal of the Head of Group Internal Audit;
- Discusses the performance of the Head of Group Internal Audit on an annual basis that incorporates feedback from the Group CEO (thereafter, the Chair of the Committee will meet with the Head of Group Internal Audit for a performance appraisal meeting). The performance appraisal will consider the independence, objectivity and tenure of the HGIA. Where the tenure of the HGIA exceeds seven years, the Board Audit Committee should explicitly discuss annually the chair's assessment of the HGIA's independence and objectivity;
- Approves the Terms of Reference for the External Quality Assessment which will be completed every five years.

The HGIA has unrestricted access to communicate and interact directly with the BAC, including in private meetings without Management present.

The BAC authorises GIA to:

- Have full, free, and unrestricted access to all functions, records, property and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information. This right of access extends to those organisation's that carry out outsourced functions on behalf of PTSB, and where a contractual right to audit exists.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports.
- Obtain assistance from the necessary personnel of PTSB, as well as other specialised services from within or outside PTSB, in order to complete individual engagements.
- A right to attend and observe all or part of Executive Committee meetings and any other key management decision making fora. This enables GIA to understand better the strategy of the business, key business issues and decisions and to adjust internal audit priorities.

GIA will respect the confidentiality of information gathered or received in the course of their duties, and will use such information only in so far as it is necessary for the performance of these functions.

In addition, GIA will undertake special reviews on behalf of the Group CEO / Executive Committee (ExCo), where requested to do so.

Whilst maintaining full independence, the HGIA will have regular 1:2:1's with the Chair of the BAC and CEO.

5. Responsibility

The HGIA has the responsibility to:

- Submit, at least annually, to BAC a risk-based internal audit plan for review and approval.
- Communicate for approval to BAC the impact of resource limitations on the internal audit plan.
- Communicate to BAC for approval any significant changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programmes and testing results and the communication of engagement results with applicable conclusions and recommendations to appropriate parties. (The communication of results is a non-exhaustive list including BAC, ExCo, Regulatory Bodies and External Auditors).
- Follow up on engagement findings and corrective actions and report periodically to senior management and the BAC any corrective actions not effectively implemented.
- Ensure the Code of Ethics principles of integrity, objectivity, confidentiality and competency are applied and upheld.
- Ensure that GIA collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure that Internal Auditors enhance their knowledge, skills and other competencies through continuing professional development.
- Ensure trends and emerging issues that could impact PTSB are considered and communicated to senior management and the BAC, as appropriate.
- Establish and ensure adherence to methodology, policies and procedures designed to guide GIA and consider any emerging trends and successful practices in internal auditing.
- Ensure conformance of GIA with the *IIA Standards*, with the following qualifications:
 - i. If GIA is prohibited by law or regulation from conformance with certain parts of the *IIA Standards*, the HGIA will ensure appropriate disclosures and will ensure conformance with all other parts of the *IIA Standards*.
 - ii. If the *IIA Standards* are used in conjunction with requirements issued by other authoritative bodies, the HGIA will ensure that GIA conforms to the *IIA Standards*, even if the internal audit department also conforms to the more restrictive requirements of other authoritative bodies.
- Assess independently, the effectiveness and efficiency of internal controls, risk management and governance systems and processes created by the Business Units and Support Functions and provide assurance on these systems and processes.
- Ensure that concerns raised directly to GIA through Speak Freely are addressed appropriately in line with the Speak Freely procedure.
- Meet with the External Auditors on a regular basis to share information and discuss ongoing issues and concerns.
- Maintain an open, constructive and co-operative relationship with regulators which supports sharing of information relevant to carrying out our respective responsibilities.

6. Independence and Objectivity

The HGIA will ensure that GIA remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the HGIA determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Auditors will perform all engagements with proficiency and due professional care. Internal Auditors will maintain an impartial, unbiased attitude and avoid any conflict of interest that allows them to perform engagements objectively. Internal Auditors will ensure that no quality compromises are made. Internal Auditors will subordinate their judgment on audit matters to others. Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditors will not design, select, establish or implement internal controls, develop policies, mechanisms, procedures and risk limits, install systems, prepare records, operate specific internal control measures or engage in any other activity that may impair their judgment, including the following:

- Assessing specific operations for which they had responsibility within the previous year (12 months) or where there is conflict of interest (e.g. competing professional or personal interest).
- Performing any operational tasks for PTSB or its affiliates.
- Initiating or approving transactions external to GIA.
- Directing the activities of any PTSB employee not employed by GIA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.
- Structuring remuneration to create conflicts of interest and compromise independence and objectivity.

In addition, continuously performing similar tasks or routine jobs may negatively affect an individual Internal Auditor's capacity for critical judgement because of possible loss of objectivity. Where possible and without jeopardising competence and experience, the HGIA may periodically rotate internal audit staff within GIA. In addition, staff from other functional areas may rotate into GIA and GIA staff may rotate into functional areas within PTSB.

The independence of GIA should not prevent Senior Management from requesting input from GIA on matters related to risk and control. Furthermore, GIA personnel can attend steering committees or workshops in order to challenge on risk management and control, provided that GIA is satisfied that, in the circumstances of the case, no conflict arises between GIA's role as an independent assurance provider and adviser.

Where the HGIA has/or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to the HGIA and/or the Chair of the BAC.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined and making balanced assessments.

The HGIA will confirm to the BAC, at least annually, the organisational independence of GIA.

7. Scope of Activities

GIA's mandate is unrestricted and covers all of the Bank's activities and services, including those provided by third parties (subject to the right to audit).

The scope of GIA activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the BAC, Management and outside parties on the adequacy and effectiveness of governance, risk management and control.

In setting its scope, GIA uses professional judgement to determine how best to segment the audit universe given the business strategy, structure and risk profile of the organisation and forms an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assess how effectively these risks are being managed. GIA's independent view is informed, but not determined, by the views of management or the risk function. In setting out its priorities and deciding where to carry out more detailed work, GIA will take a risk-based approach and focus on the areas where it considers risks to be higher.

The HGIA also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers, as needed. Any judgement as to the extent to which the work of other assurance providers will be relied upon will only be made after an evaluation of the effectiveness of that function in relation to the area under review.

GIA may perform advisory activities, the nature and scope of which will be approved by the BAC, provided GIA does not assume management responsibility.

The HGIA may, in some instances, co-source some or part of GIA's engagements to external experts, where the required skill set is not available within GIA. This will be noted in the annual audit plan which is approved by BAC and in the audit planning document which is approved by the HGIA. All work undertaken remains the responsibility of the HGIA.

8. Reporting

The HGIA will provide reports to Senior Management and the BAC on a regular basis, highlighting progress against the audit plan, control issues identified and updates on issue and action plan management.

GIA will provide the following ongoing BAU reports:

- Executive Committee (ExCo) and Board Audit Committee Update, which includes the following:
 - (i) Progress against the Annual Internal Audit Plan
 - (ii) Results of audit engagements or other activities.
 - (iii) Details regarding open Significant Issues, Overdue Issues and Aged Issues
- Audit Activity Dashboard to individual ExCo members, highlighting their relevant audit issues and actions (Monthly)
- Board Risk and Compliance Committee ('BRCC') Report, which provides an update on the number of issues related to the Risk function (Monthly)

The HGIA will, throughout the year, report to the BAC regarding:

- Progress against the annual risk based audit plan (annually) and refreshed audit plan (annually).
- GIA's conformance to the professional standards and relevant requirements (noted in Section 3 above), including to address any significant conformance issues (annually).
- Resource requirements, assessment of skills & experience and Internal Budget (annually).
- Review of risk accepted audit issues (semi-annual).*
- An Audit Opinion on the adequacy and effectiveness of control processes throughout the Bank (annually). This is 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 GIA's work and their impact on the organisation's risk profile.

In addition, all audit reports issued by GIA are made available to the BAC in the reading room.

Should a situation arise where a communication contains a significant error or omission, the HGIA will communicate corrected information to all parties who received the original communication.

** While there is no proposed change at this time, the process for the review, monitoring and reporting of risk accepts is currently under review and discussion with the Second Line of Defence.*

9. Quality Assurance and Improvement Programme

GIA maintain a Quality Assurance and Improvement Programme ('QAIP'). All staff in the Group Internal Audit department are responsible for delivering quality in all internal audit activities. The Head of Group Internal Audit ('HGIA') and Head of Functions of each audit team ('HoF') have key responsibility for ongoing monitoring of internal audit engagements to ensure conformance with the Standards and audit methodology. The QAIP includes an evaluation of GIA's conformance with the *IIA Standards* and an evaluation of whether internal auditors apply the *IIA's Code of Ethics*. It also assesses the efficiency and effectiveness of GIA and seeks to identify opportunities for improvement.

GIA's QAIP includes both internal and external assessments.

Internal assessments include both (i) ongoing monitoring and (ii) periodic reviews. Ongoing monitoring is achieved primarily through continuous activities such as engagement planning and supervision, standard work practices, work-paper procedures and sign offs, report reviews, as well as identification of any weaknesses or areas in need of improvement and action plans to address them. On-going monitoring helps determine whether internal audit processes are delivering quality on an engagement by engagement basis. Periodic reviews are performed by the GIA Quality Assurance Team. These reviews incorporate:

- A sample of audit files (covering at least one audit file per audit team) to ensure conformance with the Standards and adherence to the GIA Methodology.
- A sample of issue assurances to ensure that the underlying risk has been mitigated and the appropriate evidence has been provided to close the issue.
- An annual review of departmental activities to assess adherence to the GIA Charter and Methodology and the Standards.

The output of the quality assurance activities will be reported to the BAC. Any action plans or improvement points noted will be monitored and tracked internally to closure.

An external quality assessment ('EQA') will be conducted at least every five years by a qualified independent assessor or assessment team from outside the organisation. The last EQA was completed in 2021 and next EQA is scheduled for 2026.

The BAC will provide input and final approval of the independent assessment provider. Once the assessment has been concluded, the related report including conclusions and proposed corrective actions plans will be presented to the BAC. Any issues and related action plans will be monitoring internally. An update will be provided by the HGIA at each BAC until all issues/actions have been completed.

A statement of conformance with the International Standards for the Professional Practice of Internal Auditing is appropriate only if supported by the results of the Quality Assurance and Improvement Programme.

When non-conformance with the *IIA Code of Ethics* or the *Standards* impacts the overall scope or operation of the internal audit activity, the HGIA must disclose the non-conformance and the impact to the BAC.

10. Signatures



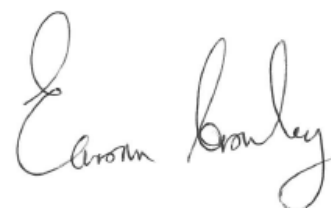
Claire Heeley

Head of Group Internal Audit
October 2022



Ronan O'Neill

Chair of the Board Audit Committee
October 2022



Eamonn Crowley

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October 2022