

# **Group Internal Audit Charter**

**July, 2024**

## **1. Introduction**

- 1.1 The Group Internal Audit Charter governs the operation of Group Internal Audit in the Bank of N.T. Butterfield & Son Limited (“the Group”). It is reviewed and approved annually by the Audit Committee of the Board.

## **2. Purpose & Mission**

- 2.1 Group Internal Audit function helps the Board and Executive Management protect the Group’s assets, reputation and sustainability by providing an independent and objective assurance of the Group’s risk management, control and governance processes.
- 2.2 It achieves the above by assessing whether all significant risks are identified and appropriately reported to the Board and Executive Management; assessing whether they are adequately controlled; and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

## **3. Organization and Role of Internal Audit**

- 3.1 Group Internal Audit function is established by the Board of Directors. Responsibility for Group Internal Audit is delegated to the Audit Committee of the Board.
- 3.2 The Group Head of Internal Audit reports functionally to the Chairman of the Audit Committee and administratively to the Chairman and Chief Executive Officer.
- 3.3 Group Internal Audit operates as the third line of defence within the Group risk management framework by providing independent and objective assurance over the design and effectiveness of controls in place to manage the key risks impacting the Group.

## **4. Authority**

- 4.1 Group Internal Audit receives its authority from the Audit Committee.
- 4.2 The Group Head of Internal Audit has access to the Chairman and Chief Executive Officer, and Chair of the Audit Committee whenever it is required and reports directly to the Audit Committee.
- 4.3 The Group Head of Internal Audit has the right of attendance at any executive or governance committees, as may be appropriate.
- 4.4 Group Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorized to have full, free and unrestricted access to any and all of Butterfield’s records, physical properties, and personnel pertinent to carrying out any engagement.

## **5. Independence and Objectivity**

- 5.1 The Group Internal Audit function will remain free from interference by any element in the Group including matters of audit selection, scope, procedures, frequency, timing, or report content in order to preserve necessary independence of the Group Internal Audit function.
- 5.2 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 judgment.
- 5.3 The Group Head of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the internal audit activity.

- 5.4 Where the internal auditor 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. To enhance their independence, internal auditor will:
- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
  - Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
  - Make balanced assessments of all available and relevant facts and circumstances; and take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

## **6. Audit Committee Responsibilities**

- 6.1 The responsibilities of the Audit Committee are set out in the Audit Committee Charter, Section 3.3 Oversight of the Company's Internal Audit Function.
- 6.2 Where the tenure of the Group Head of Internal Audit exceeds seven years, the Audit Committee will explicitly discuss annually the assessment of the Group Head of Internal Audit's independence and objectivity.

## **7. Group Head of Internal Audit Responsibilities**

- 7.1 The responsibilities of the Group Head of Internal Audit include:
- Submitting, at least annually, to the Audit Committee a risk-based internal audit plan for review and approval.
  - Delivering the internal audit plan, including any regulatory or other special tasks or projects requested by regulators, Audit Committee, other committees or senior management.
  - Providing oversight and management over the Group Internal Audit function.
  - Recruiting, developing and retaining personnel with appropriate skills, knowledge, experience and professional certifications to meet the requirements of this Charter.
  - Ensuring Group Internal Audit has the appropriate resources with regard to competency and skill. This may include accessing additional expertise through the use of third parties as co-source partners.
  - Communicating to the Audit Committee the impact of resource limitations on the internal audit plan.
  - Attending and presenting reports as appropriate, at the Audit Committee, other relevant committees and to the senior management. This reporting will include reporting of significant issues and providing opinions periodically on the overall effectiveness on the governance, risk management and control environment.
  - Communicating the results of internal audit activity's quality assurance and improvement program and external assessments to the Audit Committee.
  - Disclosing details, including safeguards, to the Group Audit Committee, if Group Internal Audit's independence or objectivity becomes impaired.
  - Serving as the investigation officer of reported whistleblowing concerns and reporting as appropriate the results of the investigations to the Chairman of the Audit Committee.

- 7.2 Group Internal Audit may perform advisory or consulting activities as appropriate. The Group Internal Audit should not assume management or operational responsibility which may impair its independence in these activities. Additionally, the nature and scope of the work must be agreed in advance with the client.

## **8. Quality Assurance**

- 8.1 Group Internal Audit operates a Quality Assurance and Improvement Program (QAIP) to evaluate and conclude on all aspects of internal audit activity and lead to recommendations for appropriate improvement.
- 8.2 The program also includes an evaluation of the internal audit department's conformance with the Institute of Internal Auditors' (IIA) Code of Ethics and Standards.
- 8.3 External assessment of Group Internal Audit's conformance with the IIA's Code of Ethics and Standards will be conducted at least every five years.
- 8.4 The results of QAIP and external assessments will be communicated to the Audit Committee.
- 8.5 The Quality Assurance Officer reports directly to the Group Head of Internal Audit and is responsible to evaluate conformance with the IIA Standards and Internal Audit Methodology Manual.

## **9. Standards of Audit Practice**

- 9.1 Group Internal Audit will govern itself by adherence to the IIA's mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (the Standards) and the Core Principles enshrined in the Standards. 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.
- 9.2 The IIA's Implementation Guides and Supplemental Guidance will also be adhered to as applicable to guide operations.
- 9.3 Group Internal Audit team will adhere to the Internal Audit Methodology Manual which sets the audit approach, methodology and governing principles as well as other relevant organizational policies.