

Group Internal Audit Charter

1. Purpose

- 1.1. The Group Internal Audit Department's (GIAD) primary purpose and overarching goal is to help the Board and Executive Management to protect the assets, reputation and sustainability of the NFU Mutual Group (NFU Mutual). It does this by assessing whether all significant risks are identified and appropriately reported by Management to the Board and Executive Management; assessing whether the risks are adequately controlled; and by recommending to Management improvements in the effectiveness of governance, risk management and internal controls.

2. Authority

- 2.1. GIAD derives its authority from the Board of Directors, via the Audit Committee. GIAD is authorised to examine the internal controls, risk management and governance arrangements in all areas of NFU Mutual. GIAD, with accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of NFU Mutual records, physical properties, and personnel pertinent to carrying out any engagement, including oversight arrangements undertaken by Management for outsourced operations, within a reasonable period of making the request.

3. Scope and Priorities

- 3.1. The scope of work undertaken each year by GIAD will be determined by the internal audit plan, which will be approved by the Audit Committee. The plan will be developed using a risk-based approach of all auditable entities to prioritise work towards providing assurance that the key risks facing NFU Mutual are controlled and identifying weaknesses where they are not. Additionally, GIAD may perform consulting services as appropriate, and conduct investigations and evaluate specific operations at the request of the Board or Executive Management, as appropriate. The nature of the proposed consulting activity will be assessed by the Group Head of Internal Audit (GHIA) to ensure it will not compromise GIAD's objectivity.
- 3.2. In accordance with the plan, GIAD will include within its scope, but will not be limited to, an assessment of: the design and operating effectiveness of the internal governance structures and processes of NFU Mutual; the information presented to the Board and Executive Management for strategic and operational decision making; the setting of, and adherence to, risk appetite; the risk and control culture of NFU Mutual; the treatment of customers in line with conduct regulation; the management of NFU Mutual's financial and non-financial risks; the framework within which programmes and projects operate; and the design and operating effectiveness of NFU Mutual's policies and processes. As part of this assurance, GIAD will make recommendations to Management to manage risks and control weaknesses, which will be tracked by GIAD until implementation.

4. Organisational Independence

- 4.1. The primary reporting line for the GHIA will be to the Chairman of the Audit Committee, with a secondary reporting line to the Group Chief Executive. The GHIA will also have direct access to the Chairman of the Board, and an 'open invitation' to attend the Board Risk Committee and any meetings of the second line Risk Oversight Committees and first line Operational Committees.
- 4.2. The Audit Committee will ultimately be responsible for approving the activity of GIAD in accordance with its Terms of Reference. The GHIA will be present at, and issue reports to the Audit Committee, which will include but will not be limited to, quarterly reports on GIAD's performance relative to its annual internal audit plan,

and this Charter; GIAD's assessment of Management's responsiveness to the findings and recommendations presented in internal audit reports; and an annual assessment of the governance, risk and control framework of NFU Mutual, including its conclusions on whether the risk appetite framework is being adhered to.

5. Independence and Objectivity

- 5.1. GIAD will be independent of the day-to-day business of NFU Mutual. GIAD will have no direct operational responsibility or authority over any of the activities audited. Accordingly, GIAD will not 'sign-off' on any new or changed processes, systems or controls; it is Management's responsibility to satisfy itself on the appropriateness of such activities given NFU Mutual's risk appetite. Additionally, GIAD staff will not review a business area or function in which they have had recent management or operational responsibility or are otherwise conflicted. In undertaking internal audit activity, GIAD will exhibit the highest level of professional objectivity and will not be unduly influenced by its own interests or by others in forming judgments.

6. Resources, Professionalism, Quality Assurance and Improvement Programme

- 6.1. The GHIA will ensure that GIAD has the skills and experience commensurate with the risks of NFU Mutual, and will communicate any resource requirements to the Audit Committee, such as recruitment or co-sourcing with an external third party.
- 6.2. All internal audit activity will be undertaken in accordance with the mandatory elements of the Chartered Institute of Internal Auditors' (CIIA) International Professional Practices Framework (IPPF), including adherence to the Core Principles, and the Guidance on Effective Internal Audit in Financial Services (the Code); relevant NFU Mutual policies and procedures; and documented audit methodology and procedures in the Internal Audit Manual. GIAD will also remain up to date with emerging risks, new methodology practices, industry hot topics, and regulatory developments. This will provide a framework for evaluating internal audit effectiveness.
- 6.3. A quality assurance and improvement programme will be maintained by GIAD that will include an evaluation of GIAD's conformance with this framework; an assessment of the efficiency and effectiveness of GIAD; and identification of opportunities for improvement. The programme will include ongoing internal assessments and external assessments conducted at least every five years, with the results being reported in line with the CIIA reporting disclosure requirement.

7. Interaction with External Auditors and UK Regulators

- 7.1. The GHIA will have an open, constructive and co-operative relationship with its External Auditors, and relevant UK Regulators, in order to exchange relevant information, discuss risks, identify potential areas of reliance, and develop effective working relationships.

8. Safecall (Whistleblowing Arrangement)

- 8.1. The Chairman of the Audit Committee has been appointed the 'Whistle-blowers Champion' for the NFU Mutual. All concerns reported into Safecall by NFU Mutual employees will be reported directly to the GHIA, for investigation, as appropriate, and the results of the investigations will be reported to the Audit Committee.

9. Annual Review and Approval

- 9.1. This Charter was reviewed and approved by the Audit Committee in January 2019.