

# CONVEX GROUP LIMITED

## Internal Audit Charter

December 2022



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## 1. Review and Approvals (Version Control)

### Document Information

Document	Details
<b>Title</b>	Convex Group Limited: <b>Internal Audit Charter</b>
<b>Version</b>	V04
<b>Date</b>	22/11/2022
<b>Author</b>	Christopher Khan – Chief Audit Officer
<b>Owner</b>	Christopher Khan – Chief Audit Officer

### Document Approval

Name/Committee	Date Approved / Informed
Convex Group Limited Audit Committee	8th December 2022

### Version Control

Version	Date	Comments
V01	18/09/2019	<p>Drafting of the first Internal Audit Charter for Convex Group Limited</p> <p>Takes into consideration best practice including:</p> <ul style="list-style-type: none"> <li>• Bermuda Insurance (Group Supervision) rules 2011 BR 76/2011</li> <li>• Bermuda Monetary Authority Insurance Code of Conduct</li> <li>• Chartered Institute of Internal Auditors</li> <li>• Financial Services Code of Best practice “Effective Internal Audit in the Financial Services Sector” revised 2017.</li> </ul>
V02	23/09/2020	<p>Minor wording updates.</p> <p>Internal Audit has reviewed the following guidance and is confident that no additional changes are required to the Charter.</p> <ol style="list-style-type: none"> <li>the new ‘<i>Internal Audit Code of Practice: Guidance on effective internal audit in the private and third sectors</i>’ that was issued in January 2020 by the Chartered Institute of Internal Auditors; and</li> <li>the IIA Three Lines Model guidance issued in July 2020 by the Global Institute of Internal Auditors.</li> </ol>
V03	18/11/2021	<p>Minor wording updates for the Convex Group Limited Charter, including reflecting the new job title of the Chief Audit Officer (previously Head of Internal Audit).</p> <p>Internal Audit has reviewed the following guidance relevant for Luxembourg and is confident that the Charter appropriately takes into consideration best practice including:</p> <ul style="list-style-type: none"> <li>• Law of 7 December 2015 on the insurance sector (articles 71, 72 and 78)</li> <li>• Institute of Internal Auditors (Luxembourg)</li> <li>• Financial Services Code of Best Practice.</li> </ul>

Version	Date	Comments
V04	22/11/2022	<p>Section 11 is added for 'Quality Assurance and Improvement Program'.</p> <p>Internal Audit performed an assessment of the current Internal Audit Charter against:</p> <ul style="list-style-type: none"> <li>• The Institute of Internal Auditors (IIA)'s latest guidance</li> <li>• Financial Services Code of Best practice "Effective Internal Audit in the Financial Services Sector" revised 2021.</li> </ul> <p>No additional changes required.</p>

## 2. Purpose

The Internal Audit Charter is a formal document that defines Internal Audit's purpose, authority, scope and responsibility. The Charter establishes Internal Audit's position within Convex Group Limited and its subsidiaries, including the nature of the Chief Audit Officer's functional reporting relationship with the Convex Group Audit Committees. It also authorises access to records, personnel, and physical properties relevant to the performance of Internal Audit engagements.

The production of an Internal Audit Charter is required by the Chartered Institute of Internal Auditors in the UK, the Institute of Internal Auditors in Luxembourg, and is required by various regulatory bodies including the Bermuda Monetary Authority (the Insurance Code of Conduct), the Prudential Regulatory Authority in the UK, the Commissariat Aux Assurances in Luxembourg, and the Guernsey Financial Services Commission.

## 3. Ownership, approval and periodic review

This document is intended for the Convex Group Limited Audit Committee, where final approval resides. In addition, it can be made available to other key stakeholders to reinforce the positioning and authority of the Internal Audit function. This includes Convex management, regulators and any other interested parties.

The charter is owned by the Chief Audit Officer and will be reviewed at least annually and approved by the Convex Group Limited Audit Committee.

## 4. Mission

Internal Audit's mission is to provide reliable independent and objective assurance to the Convex Group Limited and its subsidiaries Audit Committees, and to the Convex Group Executive Committee and subsidiary Executive Committee's on the adequacy, effectiveness and sustainability of the system of internal control.

This is achieved through implementation of best practice methodologies and leveraging expert capability including data to provide deeper insights into the overall effectiveness of the control environment. In carrying out its activities Internal Audit aims to enhance and protect organisational value by contributing to:

- Building strong and effective risk awareness and control consciousness within Convex
- Continuously improving risk management and control processes so they operate at optimum effectiveness and cost efficiency and reflect leading practice
- Sharing best practice with regard to risk management and assurance across Convex.

## 5. Application and scope

The primary scope of Internal Audit's activities is the independent and objective examination and evaluation of the adequacy and effectiveness of Convex Group's systems of risk management, internal control and governance processes. The scope will include, but not limited to review of:

- Compliance with policies, procedures, laws and regulations
- Reliability and integrity of information
- Means of safeguarding, verifying and accounting for assets
- Design and operational effectiveness of processes and controls
- Economic and efficient use of resources
- Ethics related objectives, programs and activities, and risk and control culture\*
- Corporate governance
- The accomplishment of strategic objectives.

\*Inherent within Internal Audit's approach is the consideration of significant errors, fraud, non-compliance, culture, and other exposures when developing the engagement objectives.

The scope of Internal Audit's activities extends to all legal entities and business units forming part of Convex Group Limited.

- Internal Audit may support Executive Management by performing advisory services related to governance, risk management and control, as deemed appropriate and in accordance with this charter
- It may also evaluate specific operations at the request of the Board or Executive Management, as deemed appropriate and in accordance with this charter.

In conducting any such advisory activity, Internal Audit is mindful not to impact objectivity and independence of any subsequent Internal Audit work, by ensuring appropriate safeguards are in place for this work.

- The scope of such advisory work may include the investigation of any perceived or actual significant risk or irregularity or undertaking Internal Audit activities of emerging and current corporate events (for example, an acquisition or divestment, or a significant regulatory or legislative change). The role and extent of Internal Audit's involvement in such events will generally be determined as part of the audit planning process or on an ad hoc basis, where required.

The scope of the Internal Audit Charter **does not** extend to the following:

- Carrying out any operational duties for the Group or other functions, other than those required for Internal Audit's own operation
- Exercising executive or managerial authority over functions, except where they relate to the Internal Audit function itself
- Initiating or approving accounting transactions
- Undertaking consulting engagements, specifically, those engagements where the primary aim includes process improvement, implementation of systems, or advising on operating practices
- Internal Audit must remain independent and must not take on any tasks or project participation which would compromise its ability to give independent assurance. Therefore, it is never possible for Internal Audit to "double hat" with any other function.

## 6. Responsibilities and accountability

The Chief Audit Officer is responsible for the following:

- Oversight of all Internal Audit activity covering Convex Group and its subsidiary companies
- Providing an independent and objective evaluation of the robustness of the group's corporate governance framework, and the reliability, integrity and completeness of the design and operational effectiveness of the risk management function and internal controls framework, and the compliance and actuarial functions
- Developing recommendations for the remediation of Internal Audit deficiencies identified in the conduct of its activities and the subsequent monitoring of the implementation of those recommendations
- Undertaking, where appropriate, any special tasks, investigations or projects as requested by the Convex Group Limited and Subsidiary Audit Committees and Group Executive Committee as appropriate
- Developing minimum standards for Internal Audit and a risk-based Internal Audit plan, which is reviewed, amended as appropriate and approved by the Convex Group Limited Audit Committee at least annually
- Recruiting, training and developing an Internal Audit team with sufficient knowledge, skills, and experience, in order to deliver Internal Audit's objectives, and ensuring that they act with integrity. In addition to the in-house team, Internal Audit may supplement permanent resources with suitably independent auditors and subject matter experts from outside the Group who will adopt the principles of Internal Audit's methodology and standards
- Establishing, documenting and updating Internal Audit's methodology and policies, including a competency framework to assess and develop the appropriate skills for the Internal Audit team members, in order to meet the required technical and professional standards
- Liaising with the external auditors as appropriate, in order to provide more efficient audit coverage for the Group where possible
- Establishing and maintaining effective relationships with the Group's regulatory authorities and capital providers
- Arranging for the carrying out of an external assessment of the Internal Audit function at least once every five years by a qualified external independent reviewer.

The duties of the Convex Group Limited Audit Committee are set out in the 'Convex Group Limited Audit Committee terms of reference' document.

## 7. Authority and access

In carrying out its duties and responsibilities, Internal Audit is entitled to:

- Have appropriate authority within the organisation to ensure management addresses any Internal Audit findings and recommendations with respect to the adequacy and effectiveness of governance, risk management, procedures and controls
- Full and unrestricted access to all group, legal entity and business line records, including those held at third party service providers, subject to legal requirements
- Full and free access to the Convex Group Limited Group Executive Committee, Audit Committee, and other subsidiaries' Audit Committees \*
- Have sufficient resources and fit and proper staff to carry out duties and responsibilities
- The assistance of employees across the Group where necessary to fulfil its objectives.

\*The Chief Audit Officer has the right of attendance at all or part of any of the Group's governance and risk forums, or any other forum or committee in the execution of Internal Audit's remit.

## 8. Confidentiality and Conflicts of Interest

In fulfilling its objectives, Internal Audit will handle and safeguard all confidential information with which they come into contact in the same prudent manner as those members of staff who would normally be accountable for them.

The Internal Audit function must refrain from possible conflicts of interests. In case a conflict of interest is identified, it needs to be reported to the Audit Committee as soon as possible and remedial action must be taken.

## 9. Independence and Objectivity

Internal Audit is independent of the activities that it audits, in order to ensure unbiased judgements and impartial advice to the Convex Group Limited Audit Committees and to Executive Management.

In order to ensure this independence and objectivity, the Chief Audit Officer, a senior position within the Group, reports functionally to the Chairs of the Convex Group Limited Audit Committee, Convex Insurance UK Limited Audit Committee and Convex Re Limited Audit Committee and has a secondary reporting line to the Group Chief Executive Officer. The Convex Group Limited Audit Committee approves the performance evaluation, appointment, or removal of the Chief Audit Officer, and reviews his / her annual remuneration each year.

To ensure that the system of governance works efficiently and effectively, Internal Audit will work together and cooperate with the other assurance functions in an appropriate open and collegiate way (for example, Risk Management and Group Compliance). Where such co-operation takes place, the work will be planned and carried out in such a way as to ensure that the independence and objectivity of Internal Audit remain safeguarded.

## 10. Code of Ethics and Professional Standards

Internal Audit is expected to adhere to the International Professional Practices Framework (IPPF), which sets out the standards and guidance for Internal Audit's work. These include the Core Principles for the Professional Practice of Internal Auditing, which, when taken as a whole, articulate Internal Audit effectiveness. Internal Audit should ensure that all of these Principles are present. The IPPF also includes the Code of Ethics, which Internal Audit management and staff are expected to comply with, along with demonstrating the Convex values. Internal Audit will also comply with the most current International Standards for the Professional Practice of Internal Auditing (Standards) contained within the IPPF this includes the IIA's Practice Advisories, Practice Guides, and Position Papers as applicable to guide its work. In addition, Internal Audit adheres to the Group's policies and procedures and its own objectives and methodology.

Internal Audit also adheres to the recommendations contained within the Chartered Institute of Internal Auditors (IIA) guidance for Effective Internal Audit in Financial Services (the 'FS Code'). The Code, first issued in 2013, was revised in September 2017. It was then revised for a third time in January 2021 and renamed the 'Internal Audit Financial Services Code.' This latest version updates the Financial Services Code by harmonising it with the IIA's previously published 'Internal Audit Code of Practice: Guidance on effective internal audit in the private and third sectors.

The FS Code will be applied in conjunction with the existing International Professional Practices Framework ('IPPF') published by the Global Institute of Internal Auditors, which includes the International Standards for the Professional Practice of Internal Auditing ('the IIA Standards').

## 11. Quality Assurance and Improvement Program

The Internal Audit department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit department. The program will include an evaluation of the Internal Audit department's conformance with the Standards and an evaluation of whether Internal Auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit department and identify opportunities for improvement. The Chief Audit Officer will communicate to senior management and the Audit Committees on the Internal Audit department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside.

## 12. Availability of the Internal Audit Charter

In line with Chartered Institute of Internal Audit (CIIA) guidance, this Internal Audit Charter is available on the Convex Group Limited corporate internet site.



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Convex Group is the trading name of Convex Group Limited, a company incorporated in Bermuda, and the ultimate parent company of the Convex Group of companies, which includes the following regulated entities: Convex Re Limited, a company incorporated in Bermuda which is licensed and supervised by the Bermuda Monetary Authority; Convex Insurance UK Limited, a company incorporated in England & Wales which is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the PRA; Convex North America Insurance Services LLC, a company incorporated in Delaware which is a US managing general underwriter and licensed excess and surplus lines insurance broker; Convex Europe S.A. a company incorporated in Luxembourg which is supervised by the Commissariat aux Assurances (CAA); and Convex Europe S.A. UK Branch which is authorised and regulated by the CAA and authorised by the PRA and subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of its regulation by the PRA are available from us on request.