

# Convex Group Limited (CGL) Internal Audit Charter

December 2024



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## 1. Review and Approvals (Version Control)

### Document Information

Document	Details
Title	Convex Group Limited (CGL): <b>Internal Audit Charter</b>
Version	V06
Date	18/11/2024
Author	Christopher Khan – Chief Audit Officer
Owner	Christopher Khan – Chief Audit Officer

### Document Approval

Name/Committee	Date Approved / Informed
Convex Group Limited (CGL) Audit Committee	5 <sup>th</sup> December 2024

### Version Control

Version	Date	Comments
V01	18/09/2019	<ul style="list-style-type: none"> <li>Drafting of the first Internal Audit Charter for Convex Group Limited.</li> <li>Takes into consideration best practice including: <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> </li> </ul>
V02	23/09/2020	<ul style="list-style-type: none"> <li>Minor wording updates.</li> <li>Internal Audit has reviewed the following guidance and is confident that no additional changes are required to the Charter. <ul style="list-style-type: none"> <li>(i) 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>(ii) the IIA Three Lines Model guidance issued in July 2020 by the Global Institute of Internal Auditors.</li> </ul> </li> </ul>
V03	18/11/2021	<ul style="list-style-type: none"> <li>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).</li> <li>Internal Audit has reviewed the following guidance relevant for Luxembourg and is confident that the Charter appropriately takes into consideration best practice including: <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> </li> </ul>
V04	22/11/2022	<ul style="list-style-type: none"> <li>Section 11 is added for ‘<i>Quality Assurance and Improvement Program</i>’.</li> <li>Internal Audit performed an assessment of the current Internal Audit Charter against: <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> </li> <li>No additional changes required.</li> </ul>

Version	Date	Comments
V05	21/11/2023	<ul style="list-style-type: none"> <li>Enhance the Internal Audit Charter to be in line with: <ul style="list-style-type: none"> <li>The Institute of Internal Auditors (IIA)'s latest guidance and position paper on the IA Charter</li> <li>Proposed Global Internal Audit Standards 2023.</li> </ul> </li> </ul>
V06	18/11/2024	<ul style="list-style-type: none"> <li>Update the Internal Audit Charter to be in line with the 2024 Global Internal Audit Standards, using the Model Internal Audit Charter issued by the Institute of Internal Auditors.</li> <li>Updated to include the Chief Audit Officer's responsibilities for Whistleblowing and the recently established Risk Adjustment Framework.</li> </ul>

## 2. Context

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 and 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. Purpose

The purpose of the Internal Audit function is to strengthen Convex Group Limited and its subsidiaries' ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit function enhances Convex Group Limited and its subsidiaries':

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Convex Group Limited's internal audit function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards<sup>TM</sup>, which are set in the public interest.
- The Internal Audit function is independently positioned with direct accountability to the board.
- Internal auditors are free from undue influence and committed to making objective assessments.

### Commitment to Adhering to the Global Internal Audit Standards

Convex Group Limited's Internal Audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Officer will report annually to the board and senior management regarding the Internal Audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## 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 on the adequacy, effectiveness and sustainability of the system of internal control.

This is achieved through the 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. Mandate

### 5.1 Authority

Convex Group Limited's board grants the Internal Audit function the mandate to provide the board and senior management with objective assurance, advice, insight, and foresight.

The Internal Audit function's authority is created by its direct reporting relationship to the board. Such authority allows for unrestricted access to the board.

The board authorises the Internal Audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Have full and unrestricted access to the Convex Group Limited Group Executive Committee, Audit Committee, and other subsidiaries' Audit Committees. 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.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of Convex Group Limited and other specialised services from within or outside Convex Group Limited to complete internal audit services.

### 5.2 Independence, Organisational Position, and Reporting Relationships

The Chief Audit Officer will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. (See "Mandate" section.) 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, Convex Europe S.A. Audit Committee and Convex Re Limited Audit Committee and has a secondary reporting line to the Group Chief Executive Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the board, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The Chief Audit Officer will confirm to the board, at least annually, the organisational independence of the Internal Audit function. If the governance structure does not support organisational independence, the Chief Audit Officer will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The Chief Audit Officer will disclose to the board any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the Internal Audit function's effectiveness and ability to fulfil its mandate.

### 5.3 Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the Chief Audit Officer, board, and senior management on the Internal Audit mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:

- A significant change in the Global Internal Audit Standards.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the Chief Audit Officer, board, and/or senior management.
- Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## 6. Board Oversight

The glossary to the Global Internal Audit Standards defines the term "board" as the highest-level body charged with governance. In an organisation that has more than one governing body, "board" refers to the body or bodies authorised to provide the Internal Audit function with the appropriate authority, role, and responsibilities. In Convex Group Limited, this is the Audit Committee which is a sub-committee of the Convex Group Board. For the purpose of this charter, the term 'board' includes Convex Group Limited and its subsidiaries' Audit Committees.

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

To establish, maintain, and ensure that Convex Group Limited's Internal Audit function has sufficient authority to fulfil its duties, the board will:

- Discuss with the Chief Audit Officer and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the Internal Audit function.
- Ensure the Chief Audit Officer has unrestricted access to and communicates and interacts directly with the board, including in private meetings without senior management present.
- Discuss with the Chief Audit Officer and senior management other topics that should be included in the Internal Audit Charter.
- Participate in discussions with the Chief Audit Officer and senior management about the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective Internal Audit function.
- Approve the Internal Audit function's Charter, which includes the Internal Audit mandate and the scope and types of internal audit services.
- Review the Internal Audit Charter annually with the Chief Audit Officer to consider changes affecting the organisation, such as the employment of a new Chief Audit Officer or changes in the type, severity, and interdependencies of risks to the organisation; and approve the Internal Audit Charter annually.
- Approve the risk-based internal audit plan.
- Approve the Internal Audit function's human resources administration and budgets.
- Approve the Internal Audit function's expenses.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a Chief Audit Officer as described in the Global Internal Audit Standards.
- Authorise the appointment and removal of the Chief Audit Officer.
- Approve the remuneration of the Chief Audit Officer.
- Review the Chief Audit Officer's performance.
- Receive communications from the Chief Audit Officer about the Internal Audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the Chief Audit Officer to determine whether scope or resource limitations are inappropriate.

## 7. Chief Audit Officer Roles and Responsibilities

### 7.1 Ethics and Professionalism

The Chief Audit Officer will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### 7.2 Objectivity

The Chief Audit Officer will ensure that the Internal Audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the Chief Audit Officer determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Convex Group Limited and its subsidiaries.
- Initiating or approving transactions external to the Internal Audit function.
- Directing the activities of any employee at Convex Group Limited that is not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to Internal Audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the Chief Audit Officer, board, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### 7.3 Managing the Internal Audit Function

The Chief Audit Officer has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board and senior management. Discuss the plan with the board and senior management and submit the plan to the board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the board and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Convex Group Limited's business, risks, operations, programs, systems, and controls.
- Communicate with the board and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.



- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the board and senior management periodically and for each engagement as appropriate.
- Ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Global Internal Audit Standards and fulfill the Internal Audit mandate.
- Identify and consider trends and emerging issues that could impact Convex Group Limited and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- Ensure adherence to Convex Group Limited's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the Chief Audit Officer cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

#### 7.4 Communication with the Board and Senior Management

The Chief Audit Officer will report periodically to the board and senior management regarding:

- The Internal Audit function's mandate.
- The internal audit plan and performance relative to its plan.
- Internal Audit budget.
- Significant revisions to the internal audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement program, which include the Internal Audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond Convex Group Limited's risk appetite.

#### 7.5 Quality Assurance and Improvement Program

The Chief Audit Officer will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the Internal Audit function's deficiencies and opportunities for improvement.

Annually, the Chief Audit Officer will communicate with the board and senior management about the Internal Audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Convex Group Limited; qualifications must include at least one assessor holding an active Certified Internal Auditor credential. In addition, the Internal Audit function will also consider adopting a self-assessment with independent validation in order to meet the requirement for an external quality assessment.

## 8. Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organisation, including all Convex Group Limited's activities, assets, and personnel. The Internal Audit function develops and regularly updates the audit universe, using their knowledge of Convex and ensuring all business areas and departments within Convex have been captured. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the board and management on the adequacy and effectiveness of governance, risk management, and control processes for Convex Group Limited.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the Internal Audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Convex Group Limited's strategic objectives are appropriately identified and managed.
- The actions of Convex Group Limited's officers, directors, management, employees, and contractors or other relevant parties comply with Convex Group Limited's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and 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 the policies, procedures, laws, and regulations that could significantly impact Convex Group Limited.
- The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

### Whistleblowing responsibilities

The Chief Audit Officer is responsible for investigating allegations received through Convex's whistleblowing channels, in alignment with its mandate to evaluate and improve the effectiveness of governance, risk management, and control processes. To ensure transparency and accountability, the findings from such investigations are reported to the whistleblowing champion, the Chair of the Audit Committee, and other designated stakeholders, as appropriate. These investigations are conducted in accordance with Convex's Whistleblowing Policy, the IIA Standards, and the IIA Code of Ethics, ensuring confidentiality, objectivity, and fair treatment of all parties. The Chief Audit Officer maintains his/her independence and objectivity throughout these activities, and where matters require specialised expertise beyond the Chief Audit Officer's remit, referrals are made to appropriate internal or external specialists.

### Risk Adjustment Framework

The Chief Audit Officer participates as a member of the Review Group established under Convex's Risk Adjustment Framework. The Review Group, comprising the Chief Risk officers (CGL and CIL), Chief Compliance Officer, Heads of Human Resources (CGL and CIL), and the Chief Audit Officer, collaboratively assesses instances of poor cultural behaviour or inadequate risk management. Together, the Group agrees on recommendations to be presented to the Remuneration Committee regarding potential risk adjustment to variable remuneration. The Chief Audit Officer's role in this process aligns with Internal Audit's mandate to support Convex's governance, risk management and ethical practices. By contributing independent insights and maintaining adherence to the IIA Standards and Code of Ethics, the Chief Audit Officer ensures the objectivity and integrity of these assessments.

### Internal Audit Code of Practice

The Internal Audit function will also consider the guidance in the Internal Audit Code of Practice (the Code) by the Chartered Institute of Internal Auditors and look to include in our scope the key areas listed in the Code. These include:

- purpose, strategy and business model;
- organisational culture;
- internal governance;
- the setting of, and adherence to, the risks the entity is willing to accept (risk appetite);
- key corporate and external events;
- capital and liquidity risks;
- risks of poor customer treatment, giving rise to conduct or reputational risk;
- Environmental sustainability, climate change risks and social issues;
- financial crime, economic crime and fraud;
- technology and data risks;
- risk management, compliance, finance and control functions; and
- outcomes of processes.

## 9. Availability of the Internal Audit Charter

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.