



# Charter for Group Internal Audit

2020

Approved by the Chairman on behalf of  
the Board of Directors on 15 January 2020.

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# 1. Introduction

## 1.1 GIA Charter

In line with the Organization Regulations (OR) of UBS Group AG, this charter describes the role, responsibilities and authorities as well as the scope, objectives and position of Group Internal Audit (GIA).

# 2. Purpose, role, independence, objectivity and reporting line

## 2.1 Purpose and role

GIA is an independent and objective function that supports both the firm in achieving its defined strategic, operational, financial and compliance objectives, and the Board of Directors (BoD) and its committees in discharging their governance responsibilities.

Effective risk management, control and governance processes are the responsibility of the respective business management and risk control functions, i.e. the first two "lines of defense". As the "third line of defense", GIA independently assesses whether risk management, control and governance processes are designed and operate sustainably and effectively. GIA also evaluates the independence of the risk control functions.

Remediating issues is the responsibility of management. GIA assures whether management has effectively and sustainably addressed relevant issues.

The existence of internal audit does not relieve management of its responsibility regarding the risk management and control processes.

## 2.2 Independence and objectivity

GIA is independent in determining its activities, in particular when defining audit scope and executing audit engagements. GIA reports are not subject to any instructions or restrictions, and its authority to audit is unrestricted.

To maintain objectivity, GIA audit staff have no operational responsibility or authority over any business activities, day-to-day risk management or business-related control processes.

## 2.3 Reporting line and supervision

The Head of GIA reports directly to the Chairman of the BoD. In addition, GIA has a functional reporting line to the Audit Committee. The Chairman, in conjunction with the Audit Committee, monitors GIA's performance in accordance with the terms of the OR. The Audit Committee (i) assesses the independence and the performance of GIA, in order to provide recommendations to the Chairman in relation to the effectiveness of both the Head of GIA and of GIA as an organization; (ii) assesses and approves the appropriateness of GIA's annual audit plan and audit objectives, including subsequent important amendments; and (iii) monitors GIA's discharge of its annual audit objectives, including being informed of the results of the annual audit plan. The Audit Committee is in regular contact with the Head of GIA.

## 3. Scope, objectives and responsibilities

### 3.1 Scope

GIA performs the internal auditing function for UBS Group.

### 3.2 Objectives

To support the achievement of UBS's objectives, GIA independently, objectively and systematically assesses the:

- (i) soundness of the Group's risk and control culture;
- (ii) reliability and integrity of financial and operational information, including whether activities are properly, accurately and completely recorded, and the quality of underlying data and models; and
- (iii) design, operating effectiveness and sustainability of:
  - processes to define strategy and risk appetite, as well as the overall adherence to the approved strategy;
  - governance processes;
  - risk management, including whether risks are appropriately identified and managed;
  - internal controls, specifically whether they are commensurate with the risks taken;
  - remediation activities; and
  - processes to comply with legal and regulatory requirements, internal policies, and the Group's constitutional documents and contracts.

GIA also conducts special audits at the request of the Audit Committee, or other Board members, Committees or the Group CEO in consultation with the Audit Committee. The Audit Committee may also mandate third parties with the execution of special audits and informs GIA as appropriate.

### 3.3 Responsibilities

GIA is responsible for:

#### Overall

- Developing and maintaining an agile and flexible internal auditing function that considers the changing environment and emerging risks.

#### Audit plan

- Developing an annual audit plan based on an annual risk assessment, considering input from the business, senior management as well as the members of the Audit and the Risk Committees. The Annual Audit Objectives are approved by the Audit Committee after their discussion with GIA. The Group BoD and the Group Executive Board (GEB) as well as further stakeholders receive a copy for their information.
- Continuously considering the firm's risk profile and audit universe, including new or emerging risks, business changes, new initiatives and business trends. Reviewing and assessing at least quarterly their impact on the audit plan. Subsequent important changes to the Annual Audit Objectives are approved by the Audit Committee.
- Implementing the approved annual audit plan (including any changes and special projects) and covering the audit universe in a risk-based multi-year audit cycle, i.e. to plan, conduct, report and assure individual audit engagements according to the procedures defined in the Professional Practices Framework.

#### Issue assurance

- Implementing a risk-based approach to assure the effective and sustainable remediation of issues rated 3 and above from any source.

#### Reporting

- Issuing quarterly reports providing a broad overview of significant audit results and key issues, control themes and trends based on individual audit results, continuous risk assessment and issue assurance results. The reports are provided to the Chairman of the BoD, members of the Audit and the Risk Committees, the GEB and other stakeholders. Further, GIA issues an annual Activity Report providing an assessment of its activities, processes, audit plan and resourcing requirements and other important developments affecting GIA. The Activity Report is provided to the Chairman of the BoD and to the Audit Committee, and forms part of the basis for them to assess GIA's effectiveness.

### **Interaction with external auditors, regulators and other control functions**

- Coordinating its scope of work with external auditors to provide optimal audit coverage. GIA senior management regularly meets with the external auditors to exchange information and coordinate their activities. External auditors receive copies of all audit reports, the approved Annual Audit Objectives and the quarterly reports.
- Maintaining effective relationships with UBS's regulators, responding to their requirements and supporting them in carrying out their supervisory function regarding UBS. GIA provides UBS's main regulators with a copy of the approved Annual Audit Objectives, the quarterly reports and, on request, copies of individual audit reports.
- Leveraging its own audit results with the activities of other control functions within UBS, while maintaining its independence.

### **People**

- Maintaining and developing a professional audit team with sufficient knowledge, skills, experience and resources to meet the requirements of this charter and future challenges.

## **3.4 Authority**

GIA possesses unrestricted auditing rights within the UBS Group. At all times it has access to all accounts, books, records, systems, property and personnel to fulfill its auditing responsibilities.

The Head of GIA has open, direct and unrestricted access to the Chairman, to the Audit and the Risk Committees as well as to the Group CEO. The Head of GIA regularly meets with the Chairman of the BoD and participates in the meetings of the Audit and Risk Committees. Separately, the Head of GIA also regularly meets with the Group CEO and presents the quarterly reports to the GEB.

GIA is authorized to obtain assistance of specialists from within or outside of UBS when necessary to achieve its objectives.

## **4. Standards, organization and quality assurance**

### **4.1 Standards and quality assurance**

GIA must adhere to the best professional and ethical practices, such as the mandatory elements of the International Professional Practices Framework<sup>1</sup> of Internal Auditing of the Institute of Internal Auditors, and must comply with all legal and regulatory requirements affecting an internal audit function in the jurisdictions in which it operates (e.g. the Swiss Banking Law, its Ordinance and the Circulars issued by FINMA).

GIA defines its policies, working procedures and methods in the Audit Standards Manual and related documents ("Professional Practice Framework"). Together, they provide comprehensive guidance regarding the internal auditing processes, such as the annual risk assessment and planning, individual audit engagement planning, execution, reporting, issue assurance as well as quality assurance and improvement programs and training requirements.

GIA maintains a quality assurance and improvement program that covers all aspects of GIA's activities. The program includes an evaluation of GIA's conformance with the International Standards for the Professional Practice of Internal Auditing and an evaluation of whether internal auditors apply GIA's Code of Ethics. The program also assesses the efficiency and effectiveness of GIA and identifies opportunities for improvement. The Head of GIA communicates to senior management and the BoD on GIA'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 UBS.

### **4.2 Organization**

GIA maintains an adequate organization structure in compliance with the applicable regulations capable of effectively fulfilling its objectives. It is led by GIA's Executive Committee.

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<sup>1</sup> Mandatory guidance of the IPPF:

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing (Standards)

## 5. Annual review and entry into force

GIA will review annually whether the purpose, authority and responsibilities defined in this charter continue to enable GIA to accomplish its role. The results of this assessment, which will include input from senior management as well as key measures agreed with the Audit and the Risk Committees, will be submitted to the Audit Committee for review and decision, together with possible proposals to amend the charter. The results of this assessment are also provided for information to the Risk Committee.

This charter has been approved by the Board on the recommendation of the Chairman, whose recommendation is based on advice from the Audit Committee, and becomes effective as of 15 January 2020.