Charter for
Group Internal Audit

2023
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1. Introduction

Purpose of the Audit Charter

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

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

An independent voice to safeguard and strengthen UBS

GIA is an independent voice to safeguard and strengthen UBS. It empowers its people to provide expertise and insights to confirm controls are functioning well and highlight where UBS needs to better manage current and emerging risks.

Working in global, diverse teams, GIA supports the Board of Directors\(^1\) (BoD) in discharging its governance responsibilities by taking a dynamic approach to audit, issue assurance and risk assessment. GIA delivers on its “No Surprises” aspiration by calling attention to key risks to drive action to prevent unexpected loss or damage to the firm’s reputation and contribute to UBS’s long-term success.

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.

Independence; unrestricted authority to audit; no authority over business activities

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.

Direct reporting to the Chairman of the BoD; functional reporting to the Audit Committee

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 Organization Regulations of UBS Group AG. The Audit Committee (i) assesses the independence and 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) approves GIA’s annual audit plan and 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.

\(^1\) Board of Directors of UBS Group AG
3. Scope, objectives and responsibilities

GIA performs the internal auditing function for UBS Group.

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 approved risk appetite;
- 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.

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 and 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 BoD, Group Executive Board (GEB) and 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, and 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. planning, conducting, reporting and assuring individual audit engagements according to the procedures defined in the Professional Practices Framework and in accordance with the budget and resource plan approved by the Audit Committee.

Issue assurance
- Providing independent assurance on the effective and sustainable remediation of control deficiencies within GIA’s mandate, taking a prudent and conservative risk-based approach and assessing at the issue level whether the root cause and the potential exposure for the firm have been holistically and sustainably addressed.

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
4. Standards, organization and quality assurance

GIA must adhere to the best professional and ethical practices, such as the mandatory elements of the International Professional Practices Framework 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,

Unrestricted auditing rights and access to Chairman, Audit and Risk Committees and Group CEO

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.

Adheres to professional, ethical, legal and regulatory requirements; maintains quality assurance program

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1 Mandatory guidance of the IPPF: Core Principles for the Professional Practice of Internal Auditing; Definition of Internal Auditing; Code of Ethics; and 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.

Led by GIA’s Executive Committee

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