

# **BPER:**





**Banca**

## **Internal Audit Charter**

**Internal Audit Function**

Modena, 8<sup>th</sup> November 2023

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# Chairwoman's Message

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Integrity and sustainability are central pillars for doing well in working and banking, especially in an era of rapid transformation and growing social-economical awareness.

These values are embedded in our corporate culture and reflect a deep sense of responsibility toward our stakeholders, the environment and society at large.

It is essential that each of our strategic initiatives should be projected into a long-term vision, ensuring that integrity, social responsibility, sustainability, innovation and transparency work together in an environment characterized by daily challenges and opportunities.

We aim to face these challenges and capitalize on all opportunities; hence the presence of a robust Internal Controls System becomes crucial in ensuring that our everyday activities are in line with the values and principles of the BPER Group and the needs of all its stakeholders.

In this context, Internal Audit assumes a crucial role within the Internal Control System, promoting informed and advanced business management, paying attention to risk and control culture awareness and acting as a catalyst for innovation.

With this in mind, the Board of Directors has defined the scope, role and responsibilities of BPER Audit in the Internal Audit Charter, which highlights the commitment to maintain high standards of professionalism and an approach that makes sustainability - in all its facets - a central element.



**“BPER Bank, with the new Internal Audit Charter, makes an even more accurate statement of its tangible commitment to everyday operations with responsibility, honesty, loyalty and competence.”**

Flavia Mazzarella – **Chairwoman of BPER Banca**

# 1 Internal Audit Charter

## 1.1 Purpose and Goals

### Purpose

The Board of Directors, through the Internal Audit Charter, defines for Internal Audit:

- authority, role, and responsibilities;
- independence and objectivity;
- activities and types of internal audit services to be provided;
- interaction with corporate functions;
- the “*Quality Assurance and Improvement Program*” process.

The Internal Audit Charter is drafted in accordance with the Supervisory Provisions (Bank of Italy Circ. no. 285/2013) and the professional International Standards. In addition, the Charter includes some of the main principles contained in the Institute of Internal Auditors' Global Internal Audit Standards, which will be effective as of 2025.

### Goals

The Internal Audit Charter contains:

- the Internal Audit **Mandate** for the BPER Group;
- the independent and objective role of the Internal Audit Function;
- the "covenant" of responsibility that Internal Audit assumes toward the Board of Directors (Board) and its stakeholders for the oversight and continuous evolution of the Internal Controls System.

# 1 Internal Audit Charter

## 1.2 Vision and Integrity

### Vision

The Internal Audit **promotes a strategic vision** described step by step in the Industrial Plan evolutionary projects (Plan 2023-2025 .OMNIA), also through constant and active dialogue with the Corporate Bodies and the C-Suite of the BPER Group.

Internal Audit pays constant attention to change by adopting a spirit that is always proactive and oriented toward the satisfaction of its stakeholders. Internal Audit daily challenges are perceived as:

- an opportunity to continuously improve the ability to identify unexpected risks. This also includes emerging risks and working in coordination with the rest of the Group when necessary;
- in addition, Internal Audit contributes to the creation of long-term sustainable value, by promoting a culture of mutual trust, respect, and excellence for continuous progress.

### Integrity

Acting with **integrity** means always **behaving in a fair and transparent way**, with courage and determination in the interest of the Group, also facing the pressure.

Integrity is defined as:

- the fundamental principle expressed in BPER Banca Code of Ethics;
- the leading value of Internal Audit;
- central to other **core values** of the BPER Group.

# 1 Internal Audit Charter

## 1.3 Group Core Values

Internal Audit **shares** and **promotes** the protection of the BPER Group's values and helps to facilitate their diffusion and observance.

Social  
Responsibility

Awareness and promotion of social, environmental and ethical issues that underlie the BPER Group's business strategies.

Sustainability

Commitment to balance current and future generations needs, protecting the environment, respecting and supporting communities and territories, and adopting sound governance practices in accordance with ethical principles.

Innovation

Promote progress by assisting and supporting territories and customers to trigger transition and promote change in line with the Group's values.

Transparency

Clarity and transparency are key to the Group's communication in the disclosure of financial and non-financial, operational and management information.

Stakeholder  
Centrality

Centrality of the relationship with all the Group's stakeholders who are called upon to evaluate its work by granting their trust.

Risk and Control  
Culture Awareness

Diffusion of risk awareness, ensuring that each colleague understands and manages the risks associated with his or her actions, both individually and for the BPER Group.

# 1 Internal Audit Charter

## 1.4 From Group core values to the Mandate

### Group Core Values

Social Responsibility

Sustainability

Innovation

Trasparenza

Stakeholder Centrality

Risk and Control Culture Awareness

The Board of Directors, through the Internal Audit Charter, defines the core values of the BPER Group in the Mandate,  
The Internal Audit Mandate includes the Group's values in a clear and tangible structural and operational pathway

### Internal Audit Mandate

Placement and Mission

Adherence to Professional Standards

Authority, Role and Responsibility

QAIP

Independence and Objectivity

Scope and Services

### Internal Audit

## 2 Mandate

### 2.1 Organization, Mission, and Adherence to Standards

#### Organization

The Internal Audit reports functionally and hierarchically to the Board of Directors of the Parent Company BPER Banca, through the Chairperson. This ensures the organizational independence that enables the Function to completely fulfill its responsibilities.

#### Mission

The mission of Internal Audit is to enhance and protect the value of BPER Group Subsidiaries and Banks through the provision of objective, risk-based and data-driven services.

The Internal Audit formulates recommendations and insights for improvement in an evolutionary and business-oriented perspective to promote, through a systematic and structured professional approach:

- effectiveness and efficiency of processes and controls;
- balanced and informed risk management.

The Internal Audit contributes to the dissemination of the risk and control culture awareness and the core principles underlying the BPER Group.

#### Standard

The Internal Audit operates in accordance and consistent with the Supervisory Provisions and with widely accepted and shared Professional Standards, which are represented by the International Professional Practice Framework of the Institute of Internal Auditors and consist of the following:

- Definition of Internal Auditing;
- Code of Ethics;
- Fundamental Principles;
- International Standards.



## 2 Mandate

### 2.2 Authority (1/2)

The Internal Audit has the authority to access all corporate information, resources and personnel owing to its hierarchical and functional reporting to the Board of Directors and its Mandate.

#### Board of Directors

The Board of Directors:

- approves the Internal Audit Charter and Regulations of the Internal Audit Function;
- approves the Audit Plan and its sustainability, as well as the budget of the Internal Audit Function;
- appoints and removes the Chief Audit Officer, sets his or her compensation, assigns goals, and evaluates performance;
- maintains an ongoing discussion with the Chief Audit Officer, focusing on both the definition and implementation of the audit strategy and the outcomes of Internal Audit activities.

#### Chief Audit Officer

The Chief Audit Officer:

- has unrestricted access to Corporate Bodies and all activities, data, property and resources of the organization;
- can interact with Corporate Bodies also on a confidential basis;
- can consider the possible outsourcing of specific audit activities, while still retaining responsibility for them.

#### *Internal Audit*

##### The Internal Audit:

- has unrestricted access to Corporate Bodies and all activities (including outsourced activities), data, property and resources of the Organization;
- can interact with Corporate Bodies also on a confidential basis;
- operates with qualified staff thus ensuring the ability to understand the business environment and provide targeted advice while maintaining a business-oriented perspective;
- defines objectives, timeframes, operational scopes, techniques, and recipients of its activities, aligning with business needs and strategic choices;
- produces reporting and shares results with stakeholders, positioning itself as a strategic partner, offering insight and advice to guide informed decisions;
- collaborates with various parties, both internal and external to the Group, promoting a culture of best practice sharing and continuous improvement;
- can receive from BPER Group entities - for possible examination - information referring to serious deficiencies, significant losses or irregularities, when the entities have previously assessed their actual riskiness.

#### *Chief Audit Officer*

The Chief Audit Officer, through a careful and future proof vision, manages the Internal Audit Function and ensures the quality of assurance and consulting services provided.

This implies proper strategic planning and optimal use of internal resources, establishing strong relationships between corporate structures and establishing communication channels with stakeholders, to provide quality services and ensure the continuous improvement of the Group.

#### *Internal Audit*

The Internal Audit Function:

- reports to the Parent Board of Directors and establishes a constructive dialogue with its members on strategic and operational matters for the oversight of controls;
- assesses the effectiveness of the Internal Control System and risk management procedures within the organization, providing objective and independent assurance and guidance;
- operates with respect for staff and stakeholders, considering the expectations and viewpoints of the operational and control structures it confronts. Such approach contributes to the construction and enhancement of a peaceful and inclusive work environment, establishing solid relationships of trust and synergy for the benefit of all business functions.

### *Internal Audit*

#### **Reliability of Information**

Verification of the reliability and integrity of the information and tools used to identify, measure, analyze, classify, and communicate audit evidence

#### **Risk Assessment**

Based on dynamic and ongoing risk evaluations, definition and updating of the Audit Plan, which is articulated in a risk-based and data-driven perspective

#### **Audit Plan and Emerging Risks**

Communication to the Board of Directors about Audit Plan changes and emerging risks

#### **Consistency of Control Objectives**

Ensurance that all assignments are executed effectively and efficiently, in accordance with established objectives

#### **Governance**

Assessment about the compliance of employee and supplier actions with applicable policies, procedures, regulations, and governance standards

#### **Special Investigation**

Performance of Special Investigation and monitoring of the implementation of action plans

#### **Audit Execution**

Execution of audit interventions by defining objectives and scope, assigning appropriately supervised resources, documenting work programs and test results, communicating findings - with conclusions and recommendation - to appropriate structures, monitoring the effective implementation of corrective actions related to findings

#### **Reporting**

Preparation of periodic reports and communication with senior management and the Board of Directors.

Internal Audit is committed to communicating clearly to support and facilitate the dialogue of the Corporate Bodies

## 2 Mandate

### 2.5 Scope and Services Provided by Internal Audit

#### Scope

All activities, processes and operations of the Parent Company and BPER Group Companies, without any limitation.  
The Internal Audit Function does not assume operational responsibilities on activities other than Internal Auditing.

#### Services Provided

The Internal Audit Function provides assurance and consulting services that are conducted independently and objectively. Special attention is paid to the use of techniques, tools, and technologies that support the review and assessment processes.  
The services offered help to develop awareness about the risks taken and the controls to guard them, promoting a corporate culture based on principles of fairness, transparency, legality and sustainability.



#### *Assurance*

Objective examination of evidence by internal auditors for the purpose of providing independent assessments to formulate judgments or conclusions referring to activities, functions, processes systems, or other.

#### Consulting

Consultancy provided as result of specific request of Corporate Bodies, senior management or other structures. Advisory services add value to the Group by providing support to the Company's stakeholders on strategic issues that impact the design, operation, effectiveness and improvement of the Internal Control System.

#### Independence

##### The Chief Audit Officer:

- ensures that the Internal Audit Function is free from any situation that could affect or threaten the ability of its members (internal auditors) to carry out their activities impartially;
- confirms, at least annually, the organizational independence of the Internal Audit Function to the Corporate Bodies. Informs the same Bodies of any interference and consequent implications in determining the scope of Internal Audit, in the performance of assignments, and/or in the reporting of results;
- Defines, in accordance with the Board of Directors, protective measures to address potential influences wherever the Chief Audit Officer would assume additional roles and responsibilities that might affect, even only apparently, the organizational independence of the Internal Audit activity, it -

#### Objectivity

##### The Internal Auditors:

- commit to maintaining an impartial approach, reporting any conflicts of interest, even if only potential, so that they can perform their duties objectively and professionally, without compromising judgment and/or quality of work;
- make impartial and balanced evaluations of all available and relevant facts and circumstances;
- take the necessary precautions to avoid being unduly influenced by their own interests or those of third parties in making evaluations;
- observe the provisions set forth in the corporate Code of Ethics and comply with the provisions of the Code of Ethics issued by the Institute of Internal Auditors (IIA).

## 2 Mandate

### 2.7 Quality Assurance and Improvement Program (QAIP)

#### *Chief Audit Officer*

The Chief Audit Officer promotes and maintains a Quality Assurance and Improvement Program (QAIP) that relates to all Internal Audit activities in order to:

- ensure consistency of action with international best practices (i.e.: compliance with International Standards for the Professional Practice of Internal Auditing and adherence to the Code of Ethics);
- evaluate the effectiveness and efficiency of solutions, including methodological ones, adopted with the ambition of constantly developing improvements.

The Chief Audit Officer reports to the Board of Directors at least annually on the outcomes of the Quality Assurance and Improvement Program.

#### *Internal Audit*

The Internal Audit Function is subject to internal evaluations, represented by:

- continuous monitoring through activities such as planning and supervision of assignments, standardized work practices;
- periodic self-assessments conducted by personnel who have adequate knowledge of professional internal auditing practice and do not perform audit assignments.

The Internal Audit Function is subject to external evaluation, at least once every five years, which consists of an assessment, carried out by qualified and independent external evaluators/teams of evaluators consistent with the requirements of the International Standards and their Implementation Guides.

## Annex - Glossary



Term	Definition
<b>Assessment</b>	Activity aimed at evaluating Internal Audit activities in order to certify their quality or adequacy against the Professional Standards established by the Institute of Internal Audit.
<b>External evaluators</b>	Professionals or outside firms hired to conduct evaluations of Internal Audit activity; they are independent of the facility they are evaluating and provide objective, unbiased analysis.
<b>Chief Audit Office - CAO</b>	<p>Head of the Internal Audit Function managing the Internal Auditing activity, in accordance with the Internal Audit Charter and the International Professional Practice Framework - IPPF issued by the Institute of Internal Auditors.</p> <p>The Chief Audit Officer is responsible for "Third Level Controls" in according to the Banca d'Italia Circulars No. 285/2013 and No. 288/2015 and subsequent updates.</p>
<b>C-Suite</b>	Senior Management of Group Banks and Companies, Chief of the Parent Company.
<b>Data Driven</b>	Approach or methodology that emphasizes the use of analytical data to guide analysis, decisions, and actions, rather than relying primarily on qualitative data based on knowledge, intuition, or professional experience.
<b>Global Internal Audit Standard - GIAS</b>	Requirements established by the Institute of Internal Auditors to direct professional practice toward high-quality Internal Audit globally. The Standards also establish a basis for evaluating the performance of internal audit services.
<b>Internal Auditing</b>	<p>Independent and objective assurance and advisory activities aimed at improving the effectiveness and efficiency of the Legal Entity through a systematic professional approach that generates added value as it seeks to assess and improve risk management, control, and governance processes.</p> <p>In BPER Banca, the Internal Audit activity is in charge of the Internal Audit Function.</p>

Term	Definition
<b>Mandate</b>	Part of the Internal Audit Charter that defines the authority, role and responsibilities of the Internal Audit Function.
<b>Corporate Bodies</b>	Chairperson of the Board of Directors, Board of Directors, Chief Executive Officer, Supervisory Board.
<b>Quality Assurance and Improvement Program (QAIP)</b>	Program to assess the compliance of Internal Audit activity with the Standards and Code of Ethics. The program also assesses the efficiency and effectiveness of Internal Audit activity and identifies opportunities for its improvement.
<b>Emerging Risks</b>	New risks or existing risks that are evolving, which may have a significant impact on business processes, but whose potential impact is not yet fully understood and predicted. These risks may emerge due to various factors, such as technological changes, social developments, geopolitical events, climate change, or new economic trends.
<b>Risk-based</b>	Approach or methodology that has risk assessment and management as its focus. Decisions, priorities and resources are allocated based on the identification, assessment and treatment of risks.
<b>System of Internal Controls</b>	Set of rules, functions, structures, resources, procedures and processes designed to ensure that the activities carried out by the company are aligned with defined internal standards and practices.
<b>Special Investigation</b>	Assurance activities to ascertain potential irregularities or fraud events arising from Internal Audit activities conducted by the Organizational Units of the Internal Audit Function or from alerts received from other corporate structures.
<b>Stakeholder</b>	Interest bearer: person, natural or legal, who has relations with the Company in any capacity.

# BPER:

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