



Internal Audit Group Charter

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Empowering
Communities to Progress. |  **UniCredit**



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Chairman's message

Dear colleagues,

in a rapidly changing environment, effective and timely risk management remains as important as ever. UniCredit is moving towards a **sustainable and digital transition**, acting in full compliance with external regulations and internal rules.

The **mission of Internal Audit**, which is an independent function is **to enhance and protect the Company's value by providing risk-based view** and acts a strong role in detecting risks increasingly interdependent. The Internal Audit function performs **third level controls is constantly developing tools and methodologies to ensure the effectiveness of the Bank's governance, risk management and control processes** in a rapidly changing environment.

Our Audit Charter allows the scope of internal audit activity to be defined specifically to unique needs of the organisation and to develop Internal Auditors' knowledge, skills and abilities to perform their responsibilities **successfully to achieve the goal to be the Bank for Europe's future.**



Pietro Carlo Padoan
Chairman UniCredit S.p.A.



» Purpose

The purpose of the Internal Audit function is to **strengthen Company's ability to create, protect, and sustain value by providing the Board and Senior Management with independent, risk-based**, and objective assurance, advice, insight, and foresight.

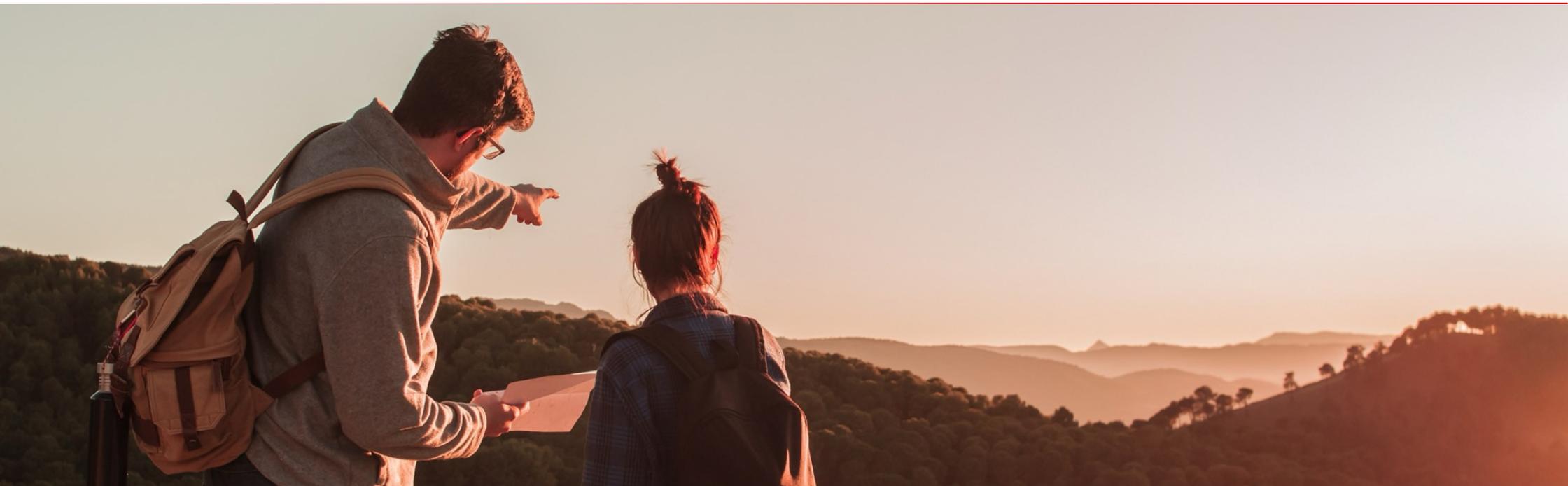
The Internal Audit **function enhances Company's responsible decision-making process and oversight**, while boosting its reputation and credibility towards stakeholders.

The Internal Audit function constantly strives to develop **its tools and techniques and adopt a dynamic approach to ensure the Company achieves its objectives** in a quickly evolving environment. This allows it to support and improve the effectiveness of the Company's internal control system.

In addressing these challenges, Internal Audit function also focuses on increasing its **strategic collaboration and synergies with the other lines of defence**, while maintaining its independence and objectivity.



Mandate



The Internal Audit function receives its mandate from the Board. It specifies the authority, role, and responsibilities of the Internal Audit function and is documented in the Internal Audit Charter.

The Internal Audit function carries out the mandate by bringing a **systematic, disciplined approach** to evaluating and improving the effectiveness of **governance, risk management, and control processes throughout the organization.**



» Mandate



Authority

Internal Audit is an **independent function and its authority is created by its direct reporting relationship to the Board**. It performs third level controls as an integral part of the Internal Control System hence it is authorised to:

- Have an **unrestricted access to the Board** to escalate matters as well as to raise concerns when specific developments affect or may affect the Company.
- 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.
- **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 the Company and other specialised services from within or outside the Company** to complete Internal Audit services.
- **Disclose engagement records and communicate Audit results**, avoiding disclosure of information in the absence of necessary authorisation, unless required by a legal or professional obligation.

The Internal Audit function must be informed in a timely manner of any:

- Management directives and resolutions that could be relevant to its activities.
- Material changes to risk management, controls and governance processes.
- Serious deficiencies, losses or other preliminary concerns identified in the Company.



Mandate

Indipendence

The Chief Audit Executive must:

- **Report to an adequate level within the Company** that allows the function to fulfil its responsibilities without interference from management. In UniCredit S.p.A the Chief Audit Executive hierarchically reports to the Board.
- **Advise the Board and Senior Management of the types of safeguards** to manage actual, potential, or perceived impairments.

The Chief Audit Executive confirms to the Board, at least annually, the organizational independence of the Internal Audit function.

When the **Chief Audit Executive has one or more ongoing roles beyond internal auditing, the responsibilities, nature of work, and established safeguards must be documented in the Internal Audit Charter**. If those areas of responsibility are subject to internal auditing, alternative processes to obtain assurance must be established.



» Board Oversight



Board oversight is essential to enable the effectiveness of the function, through a **collaborative and interactive communication between the Board and the Chief Audit Executive** also via private meetings, without Senior Management.

To this aim the Board:

- Discusses with the Chief Audit Executive the essential conditions¹, authority, role, responsibilities, scope and services of the Internal Audit function.
- Approves the Internal Audit function's Charter, which includes the Internal Audit mandate.
- Authorises the appointment and removal of the Chief Audit Executive².

- Approves the remuneration and performance appraisal of the Chief Audit Executive.
- Approves the risk-based internal audit plan, budget and resources.

To foster the independence of the function, the structure of its compensation policy must not expose it to conflict of interests and must be in line with the recommendations of the related Supervisory Authorities.

¹ Domain III of the Global Internal Audit Standards outlines the activities of the Board and Senior Management essential to the Internal Audit function's ability to fulfill the Purpose of Internal Auditing (i.e. authorised by the Board, positioned independently, overseen by the Board). These activities are identified as "essential conditions" and establish a necessary foundation for an effective dialogue between the Board, Senior Management, and the Chief Audit Executive, ultimately enabling an effective Internal Audit function.

² According to the relevant Global Policy in force from time to time.



» Chief Audit Executive Roles and Responsibilities

The Chief Audit Executive **manages the Internal Audit function in accordance with the Global Internal Audit Standards**. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and enhancing the performance of the function .

Ethics and Professionalism

The Chief Audit Executive ensures that internal auditors:

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



» Chief Audit Executive Roles and Responsibilities



Objectivity

The Chief Audit Executive ensures 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. If the Chief Audit Executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal Auditors maintain an unbiased mental attitude that allows **them to perform engagements objectively**, unaffected by pressure or conflicts of interest of any kind, 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.



» Chief Audit Executive Roles and Responsibilities

Internal Audit Management

Internal Audit has the responsibility to:

- **Develop and execute a dynamic annual audit plan**, using an appropriate forward-looking risk-based methodology, taking into consideration trends and emerging risks, mandatory audits required by external provisions, changes in the organisation's business and risks as well as inputs of the Board and Senior Management. Communicate to the Board and Senior Management significant interim changes to the Internal Audit plan.
- Issue the results of Internal Audit services and communicate them to the Board and Senior Management. A periodic summary of the audit results and the status of the implementation of management action plans should also be communicated .
- **Ensure the Internal Audit function collectively possesses or obtains the**

knowledge, skills, and other competencies and qualifications needed to fulfill the Internal Audit mandate.

- **Coordinate activities** and consider relying upon the work of other internal and external providers of assurance and advisory services; nevertheless, such commitment and coordination must not jeopardise the resources function's independence.
- Communicate fairly and transparent with its stakeholders.



» Quality Assurance



The Chief Audit Executive **develops, implements and maintains a quality assurance and improvement program** that covers all aspects of the Internal Audit function.

The program includes **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.

UniCredit **model** is articulated in:

- External quality assurance review.
- Internal assessment (on-going supervision and quality self-assessment).
- Performance measurement.

- Controls on Internal Audit functions³.
- Regulatory and external assessor findings tracking.
- Customer satisfaction survey.

Annually, the Chief Audit Executive communicates with the Board and Senior Management about the **Internal Audit function's quality assurance and improvement program**, including the results of internal assessments and external assessments. External assessments are conducted at least once every five years by a qualified, independent assessor.

³ Including Internal Quality Assurance Review, Thematic Review and Massive Controls



» Scope and types of Internal Audit services

The Internal Audit function provides a variety of **assurance and advisory services** which are performed in an independent and objective way, without assuming managerial responsibility.

Assurance services

The Assurance activity is an objective examination of evidence for the **purpose of providing an independent assessment on the Company's governance**, risk management and control processes, with the aim to determine the adequacy of the Company's Internal Control System. The scope of Assurance services is unrestricted.

Advisory services

Internal auditors perform advisory services at the request of the Board, of Senior Management or of the management of an activity by agreeing with them their nature and scope. Their aim is **to add value to the Company by providing advice on strategic topics impacting the company's Internal Control System** in terms of design, effectiveness, and improvement.



Approval and Review



The Chief Audit Executive must discuss the Audit Charter with the Board and Senior Management **to confirm that it accurately reflects their understanding and expectations of the Internal Audit function.** The results of such annual assessment shall be presented within the annual **Integrated Audit Report**⁴. In case of material amendments, the updated Internal Audit Charter shall be submitted to the Board for approval.

⁴ It is recommended to include in the meeting minutes of the presentation the results of such assessment.



Definitions

UniCredit

UniCredit S.p.A. with its registered office in Piazza Gae Aulenti, 3 – Milan, Italy (also Holding Company).

Legal Entity (LE)

Group Company directly or indirectly controlled by UniCredit (also Company).

Group

UniCredit Group, composed of UniCredit and its Legal Entities.

Senior Management

Highest-level of executive management of a company that is ultimately accountable to Board for executing organisation's strategic decisions, typically a group of persons that includes Chief Executive Officer (CEO).

Chief Audit Executive (CAE)

Head of Internal Audit function. The reference to the CAE must be intended as directed to the Referent Person when the operational tasks of the Internal Audit function are fully outsourced.

Board

Highest-level body charged with governance (such as a Board of Directors, an Audit Committee, another body that has authority over relevant governance functions). In companies with more than one governing body, it refers to one authorised to provide IA function with appropriate authority, role, and responsibilities. If none of the above exist, Board should be read as referring to the group or person that acts as the organization's highest-level governing body.

According to Italian provisions in being, for UniCredit S.p.A the governance model in force is the one-tier system, based on the existence of:

- A Board of Directors (Board), which oversees the strategic supervision and management of the Company.
- An Audit Committee, established within the Board itself, performing specific control functions.

Supervisory Authorities

Relevant national Supervisory Authority and European Central Bank.

