

**RioTinto**

# **Group Internal Audit Charter**

*Approved by the Board on 8 June 2020*

# *Group Internal Audit Charter*

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# *Group Internal Audit Charter*

## **1. Introduction**

This charter should be read in conjunction with the Risk Management Policy and Standard, Audit Committee Terms of Reference and the Sustainability Committee Terms of Reference. The Audit Committee approved this charter in June 2020.

## **2. Purpose and Mission**

The purpose of Group Internal Audit (GIA) is to provide independent, objective assurance and advisory services designed to add value and improve Rio Tinto's operations. The mission of GIA is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. GIA helps Rio Tinto accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## **3. Standards for the Professional Practice of Internal Auditing**

GIA will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. The Head of GIA is the Head of GIA for Rio Tinto. The Head of GIA will report periodically to senior management and the Audit Committee regarding GIA's conformance to the Code of Ethics and the Standards.

## **4. Authority**

The Head of GIA will report functionally to the Audit Committee Chair and administratively (i.e., day-to-day operations) to the chief executive officer. To establish, maintain, and assure that GIA has sufficient authority to fulfil its duties, the Audit Committee will (via the Audit Committee Chair as appropriate):

- Approve GIA's charter annually.
- Approve the risk-based internal audit plan.
- Approve GIA's budget and resource plan.
- Receive communications from the Head of GIA on GIA's performance relative to its plan and other matters.
- Approve the appointment and, if necessary dismissal, of the Head of GIA.
- Approve the annual performance objectives and contribute to the personal appraisal of the Head of GIA.
- Approve the structure of remuneration for the Head of GIA and members of the Internal Audit team. In addition, the Audit Committee Chair will approve actual variable remuneration recommended for any given performance period.
- Make appropriate inquiries of management and the Head of GIA to determine whether there is inappropriate scope or resource limitations.
- Approve the appointment of any internal audit outsource service provider
- Monitor and assess the role and effectiveness of GIA in the overall context of Rio Tinto's risk management system.
- Oversee and approve the appointment process of the external party engaged to perform the independent quality assessment of GIA.

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The Head of GIA will have unrestricted direct access to, and communicate and interact directly with the Audit Committee, including in private meetings without management present.

The Audit Committee authorises GIA to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out its responsibilities, but with accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain timely assistance from and access to the necessary personnel of Rio Tinto, as well as other specialised services from within or outside Rio Tinto, in order to complete its responsibilities.

## **5. Independence and Objectivity**

The Head of GIA will ensure that GIA remains free from all conditions that threaten the ability of its internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of GIA determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors working for GIA will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

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

- Assessing specific operations for which they had responsibility within the last 12 months.
- Performing any operational duties for Rio Tinto or its affiliates.
- Initiating or approving transactions external to GIA.
- Directing the activities of any Rio Tinto employee not employed by GIA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Head of GIA has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors working for GIA will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

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The Head of GIA will confirm to the Audit Committee, at least annually, the organisational independence of GIA.

The Head of GIA will disclose to the Audit Committee any interference and related implications in determining the scope of audits, performing work, and/or communicating results.

## **6. Scope of Group Internal Audit's Activities**

The scope of GIA's activities encompass, but are not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, Sustainability Committee and management on the adequacy and effectiveness of governance, risk management, and control processes for Rio Tinto. GIA assessments include evaluating whether:

- Governance processes are adequately designed and effective in operation.
- Risks relating to the achievement of Rio Tinto's strategic objectives are appropriately identified and managed.
- Systems of internal control are designed, implemented and operating effectively and efficiently, specifically whether they are commensurate with Rio Tinto's risk appetite.
- The actions of Rio Tinto's officers, directors, employees, and contractors comply with Rio Tinto's policies, standards, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, standards, procedures, laws, and regulations that could significantly impact Rio Tinto.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Head of GIA will report periodically to senior management and the Audit Committee regarding:

- GIA's purpose, authority, and responsibility.
- GIA's plan and performance relative to its plan.
- GIA's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Whether it has necessary resources to fulfil its requirements.
- Any response to risk by management that may be unacceptable to Rio Tinto.

GIA performs the internal auditing function for the entire Group and manages the Group's approved internal audit service provider. The Head of GIA also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Head of GIA should maintain open communication between the different functions and evaluate the effectiveness of the risk, compliance and finance functions as part of its plan. GIA may perform internal advisory service activities, the nature and scope of which will be agreed with the client, provided GIA does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

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## **7. Responsibility**

The Head of GIA has the responsibility to:

- Submit, at least annually, to senior management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to senior management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in Rio Tinto's business, risks, operations, programs, systems, and controls.
- Communicate to senior management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to senior management, the Audit Committee and the Sustainability Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure GIA collectively possesses or obtains the experience, knowledge, skills, technology and other competencies needed to meet the requirements of this charter.
- Ensure trends and emerging issues that could impact Rio Tinto are considered and communicated to senior management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies, standards and procedures designed to guide GIA.
- Ensure adherence to Rio Tinto's values, code of conduct and relevant policies, standards and procedures, unless such requirements conflict with this charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.

## **8. Quality Assurance and Improvement Program**

The Head of GIA will maintain a quality assurance and improvement program that covers all aspects of GIA. The program will include an evaluation of GIA's conformance with the Standards and an evaluation of whether its internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of GIA and identify opportunities for improvement.

The Head of GIA will communicate to senior management and the Audit Committee 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 Rio Tinto.