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MISSION AND SCOPE OF WORK

The mission of the Internal Auditing Department is to provide independent, objective assurance and consulting services designed to add value and improve the organization's operations. It helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the Internal Auditing Department is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by Management, is adequate and functioning in a manner to ensure:


- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

Opportunities for improving management control, profitability, and the organization's image may be identified during audits. They will be communicated to the appropriate level of Management.

ACCOUNTABILITY

The SVP Internal Audit, in the discharge of his/her duties, shall be accountable to Management and the Audit Committee to:

- Provide an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.

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- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).


INDEPENDENCE

To provide for the independence of the Internal Auditing Department, its personnel report to the SVP Internal Audit, who reports functionally to the Audit & Control Committee and administratively to the General Secretary and periodically to the Audit Committee in a manner outlined in the above section on Accountability. It will include as part of its reports to the Audit Committee a regular report on Internal Audit personnel.

RESPONSIBILITY

The SVP Internal Audit and staff of the Internal Auditing Department have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by Management, and submit that plan to the Audit Committee for review and approval.
- Implement the annual audit plan, as approved, including, as appropriate, any special tasks or projects requested by Management and the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this *Charter*.
- Issue periodic reports to the Audit Committee and Management summarizing results of audit activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the Audit Committee.

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- Assist in the investigation of significant suspected fraudulent activities within the organization and notify Management and the Audit Committee of the results.
- Inform the Audit Committee on the status of the implementation of the audit recommendations.
- Establish a quality assurance program by which the SVP Internal Audit assures the operation of internal auditing activities.
- Perform consulting services, beyond internal auditing's assurance services, to assist Management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services, due diligences, fraud investigation, control self-assessments, etc.

AUTHORITY


The SVP Internal Audit and staff of the Internal Auditing Department are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

STANDARDS OF AUDIT PRACTICE

The Internal Auditing Department will meet or exceed the *Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors.

The Internal Auditing Department will comply with the Code of Ethics of The Institute of Internal Auditors and NH's Code of conduct.

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Quality Assurance and Improvement Program

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

The SVP Internal Audit will communicate to Senior Management and the Audit Committee on the Internal Audit Department'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 NH.

Reliance by Internal Audit on other Assurance providers

The SVP Internal Audit should coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

SVP Internal Audit is in charge of providing assurance on the adequacy of governance, risk management, and related internal controls. This gives management and the organization's governing body, including the Audit & Control Committee, an assessment of risk, governance, and control processes and practices across the organization, rather than a series of audit reports on individual areas of the organization. Since the risk profile is in a perpetual state of change, the Internal Audit function is challenged in meeting this expectation using traditional, point-in-time, or cycle audit methods and resources that is why the results of these other assurance providers can be integrated with the work of Internal Audit to communicate a comprehensive opinion to key stakeholders. Appropriate coordination attracts greater reliance on Internal Audit and ensure that the cost of compliance is kept at an acceptable level and increase efficiency.

Version approved on 19/12/2017 by the Audit & Control Committee.