

## External Auditing Policy

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### 1. Purpose

This policy outlines how LBL Asset Finance conducts independent external audits across its funded borrowers and business partners.

The purpose of these audits is to confirm that operations remain compliant, transparent, and consistent with agreed contractual and regulatory obligations. Regular audits strengthen oversight, reinforce investor confidence, and help identify improvements in processes, reporting, and risk management.

### 2. Scope

This policy applies to all funded borrowers and any partner businesses that receive support, investment, or facilities from LBL Asset Finance.

External audits are performed by independent third parties and are designed to evaluate how each borrower or partner maintains compliance, governance, and data accuracy in line with the expectations set out in their facility agreement.

Audits may cover any area relevant to LBL's operations – including logbook lending, asset finance, and debt purchase portfolios – to ensure all activities meet our standards of fairness, accountability, and integrity.

### 3. Objectives

- **Independent Assurance:** Provide unbiased confirmation that borrowers are operating within contractual, regulatory, and operational expectations.
- **Risk Identification:** Detect weaknesses in processes or data management before they develop into wider issues.
- **Governance Review:** Evaluate internal controls, reporting quality, and overall management standards.
- **Transparency:** Ensure all data shared with LBL and investors is accurate and verifiable.
- **Continuous Improvement:** Highlight opportunities to strengthen processes, training, and compliance.

- **Investor Confidence:** Provide reliable assurance to stakeholders that portfolios are being managed responsibly.

#### **4. Audit Process**

- The Compliance and Monitoring team at LBL Asset Finance will prepare a list of borrowers or portfolios due for review each quarter.
- A representative sample – generally no less than 10% of live funded accounts – will be selected to ensure each audit reflects the true performance and compliance of the wider loan book.
- LBL will appoint an approved independent auditor to carry out the review.
- Access to systems, reports, and relevant documentation will be arranged directly between the borrower and the auditor, with support from the LBL team where required.

#### **4.1 Execution**

The auditor will conduct a structured review covering areas such as:

- Adherence to facility agreement terms and repayment schedules.
- Accuracy and completeness of management and financial reporting.
- Data protection, AML, and regulatory compliance checks.
- Effectiveness of internal systems, risk controls, and oversight procedures.
- Appropriateness of staffing, training, and customer treatment within relevant operations.
- Quality of communication and transparency with LBL Asset Finance.

All findings will be recorded in an **External Audit Report** that includes key observations, risk ratings, and any required actions.

A summary will also be provided to LBL's monitoring team for internal review.

## **4.2 Reporting**

- The auditor will provide a written report along with supporting evidence or recommendations.
- Borrowers will receive a copy for comment and clarification before the report is finalised.
- Once reviewed, the completed report will be stored securely in LBL's internal document system.
- The Compliance and Monitoring team will forward the summary findings to senior management and log any corrective actions in the audit register.
- Follow-up actions and borrower feedback will be documented and tracked for closure.

## **5. Follow-Up**

- Borrowers are expected to complete agreed actions within the timelines specified by LBL Asset Finance.
- The external auditor or internal monitoring team will review completion status at the next audit cycle.
- Any delays or non-compliance will be escalated to senior management and may affect ongoing funding eligibility.

## **6. Frequency & Scheduling**

- Independent external audits will take place quarterly.
- Each active borrower or funding partner will be reviewed at least twice per year.
- Additional audits may be initiated in response to identified risks, regulatory inquiries, or any material change in the borrower's business.

## **7. Documentation & Record-Keeping**

All audit files, reports, supporting documents, and responses must be stored securely in LBL Asset Finance's digital compliance system.

Access will be restricted to authorised personnel in the compliance, risk, and monitoring teams.

All data will be retained for a minimum of five years in line with LBL's data management and record retention policy.

## **8. Confidentiality & Ethics**

All external auditors are required to act independently, maintaining integrity, objectivity, and professional conduct throughout the process.

Any borrower data or documents accessed during the audit are treated as strictly confidential and may only be shared with authorised LBL representatives or regulators if required by law.

Auditors must ensure no conflict of interest exists in any review they conduct for LBL Asset Finance.

## **9. Escalation & Review**

- Material breaches, serious control failures, or regulatory concerns must be escalated immediately to senior management.
- In cases of borrower non-cooperation, LBL Asset Finance may pause or restrict funding until satisfactory engagement resumes.
- The Director responsible for the audit provider must ensure adequate planning, staffing, and reporting standards are maintained.
- This policy will be reviewed annually by the Compliance and Risk Committee to ensure it remains up to date with LBL's operational and regulatory framework.