



**ROYAL LONDON GROUP
INTERNAL AUDIT
CHARTER**



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1. INTRODUCTION

This Charter is owned by the Group Chief Audit Officer (GCAO) and is approved annually by the Royal London Group (the Group) Board under the recommendation of the Group Audit Committee. It sets out the purpose, activities, scope and responsibilities of Royal London Group Internal Audit (GIA). It should be read in conjunction with the Group Audit Committee Terms of Reference, which sets out the responsibilities of the Group Audit Committee in providing direction as to the scope of work and the activities to be audited.

The effective operation of GIA provides assurance to the Group on its overall control environment and helps support the Group to meet their objectives and obligations. Compliance with the Charter is compulsory for all GIA staff.

The Charter has been made publicly available on the Royal London website.

2. PURPOSE, ACTIVITIES AND SCOPE

2.1 PURPOSE

In the context of Royal London, GIA's primary role is to help and support the Board to protect the assets, reputation and sustainability of the Royal London Group. In doing so, GIA also aims to enhance and protect the Group's value.

2.2 ACTIVITIES

GIA operates as the third line in the group's three lines model, providing independent assurance and advice that the Group's risk management, governance and internal control processes are operating effectively.

We achieve this by:

- Providing risk-based and objective assurance, advice and insight across Royal London Group;
- Assessing and reporting on the effectiveness of the design and operation of the framework of controls that enable risks, including emerging risks, to be identified, assessed and appropriately managed;
- Assessing and reporting on the effectiveness of management actions to address deficiencies in the framework of controls and risks that are out of appetite; and
- Supporting management to improve the maturity and effectiveness of governance, risk management and internal controls.

2.3 SCOPE

GIA's scope is unrestricted and covers the Group, its subsidiaries and all activities undertaken by and on behalf of the Group. This includes joint ventures and other business partnerships, suppliers, outsourcing and reinsurance arrangements. There are no aspects of the organisation that GIA is prohibited from looking at.

We take into consideration the requirements of regulators who oversee the Group's activities and have right of access to all information, functions, records, staff and property required to perform our work. Any interference from others during any aspect of Internal Audit activity is communicated by the GCAO to the Group Audit Committee to ensure action is taken to protect the integrity of our work.

3. MANAGEMENT OF GROUP INTERNAL AUDIT

3.1 PRIORITISATION AND PLANNING

GIA's work is determined by our annual planning process that is driven by a risk assessment of the Group's operations, taking into account the risk profile of the Group's business and all activities of the Group's System of Governance. Additional reviews or assurance work can be requested by the Group Audit Committee, business and regulators, subject to these reviews not impacting on GIA's independence and objectivity.

The audit plan is communicated and approved by the Group Audit Committee on an annual basis reviewed regularly to take account of new and emerging risks. Proposed changes to the plan are approved by the Group Audit Committee. Audit plans of RLG's legal entities are communicated to and, where relevant, approved by, the relevant committees of the Group's subsidiaries.

3.2 RESOURCES

The GCAO proposes a budget to the Group Audit Committee that ensures we have sufficient skills and resources to discharge our responsibilities. We may make use of co-source or obtain competent external advice where required to assist in the delivery of the audit plan.

The GCAO provides the Group Audit Committee with an annual assessment of the skills required to deliver the Audit Plan, as well as an assessment of the adequacy of the skills and experience of the GIA team. Every five years GIA are required to have an External Quality Assessment review.

3.3 REPORTING

GIA reports to the Group Audit Committee and relevant subsidiary designated Board Committees throughout the year, summarising the results and analysis of audit activity in the preceding period.

We also provide an annual assessment of the adequacy and effectiveness of the Group's Internal Control System and other elements of the System of Governance, including the Risk Management System.

4. INDEPENDENCE AND REPORTING LINES

4.1 INDEPENDENCE

GIA is independent of all the Group's functions, including Group Risk, Compliance and Finance, and all functions may be subject to Internal Audit. We have a process for managing and reporting conflicts of interest and safeguards exist to limit any impairment to independence or objectivity.

Where co-source is being used in the delivery of the audit plan, the co-source provider will be required to comply with the principles of the GIA Charter and must be independent of the area being reviewed.

The Chair of the Group Audit Committee sets objectives for the GCAO and recommends their remuneration to the Remuneration Committee. The remuneration of the GCAO and GIA staff is structured in a manner that avoids conflicts of interest, does not impair GIA independence and objectivity and is not directly or exclusively linked to the short term performance of the Group. The GCAO's performance is appraised at least annually and as part of this appraisal the GCAO's independence, objectivity and tenure are also considered. In addition, the GCAO confirms to the Group Audit Committee the organisational independence of the GIA team.

4.2 REPORTING LINES

The primary reporting line for the GCAO is to the Chair of the Group Audit Committee, who is responsible for their appointment and removal..

The GCAO:

- Communicates and interacts directly with the Group Audit Committee and has access to its Chair and members in between Group Audit Committee meetings.
- Regularly attends Group Executive Committee (GEC) meetings, but not in a decision making capacity.
- Maintains a dotted reporting line to the Group Chief Executive Officer to report on the outcome of audit activity and the overall opinion on the Group's control environment; and for day to day administrative purposes.
- Has the responsibility to report promptly any significant issues to the Group Audit Committee and has direct access to the Chair of the Board.
- Discharges responsibility by delegating attendance at subsidiary designated Board Committees to appropriately competent GIA staff who at all times are acting under the supervision of the GCAO.

5. AUDIT STANDARDS

5.1 PROFESSIONAL STANDARDS

GIA conducts itself in accordance with this Charter, the policies, practices and standards set out in the Audit Manual and carries out its audit work in accordance with the GIA Methodology. GIA treats all information and records obtained in carrying out audits as confidential. We comply with the mandatory elements of the Chartered Institute of Internal Auditors' International Professional Practices Framework, which includes the Core Principles and the International Standards (including the definition of Internal Audit) for the Professional Practice of Internal Auditing, and its Code of Ethics.

GIA performs an annual assessment of Charter compliance. This was last performed in October 2022 and included a review against the RLG Code of Conduct and the recommendations from the CIIA Financial Services Code of Practice updated in January 2021.

5.2 QUALITY ASSURANCE

In line with the CIIA's Code the Group Audit Committee obtains an independent and objective external assessment of GIA at appropriate intervals. This assessment includes GIA's conformance with the Code of Ethics and the CIIA Standards. The Group Audit Committee oversees and approves the appointment process of the independent assessor.

6. RELATIONSHIP WITH REGULATORS AND OTHER ASSURANCE PROVIDERS

6.1 RELATIONSHIP WITH REGULATORS

The GCAO liaises, where required, with the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), and other relevant regulators. The GCAO may communicate with the regulators on matters relating to developments in the internal audit function and will provide information where specifically requested by regulators.

In exceptional circumstances, the GCAO may come to a view that a significant matter affecting Royal London's business has not been communicated to the regulator on a complete, accurate and timely basis. The GCAO will discuss this with the Group CEO, Group Compliance Officer and/or Chair of the Group Audit Committee to agree a reasonable timeframe for the matter to be communicated to the regulator in an appropriate manner. Otherwise, the GCAO may initiate or authorise communication to the regulator.

6.2 RELATIONSHIP WITH OTHER ASSURANCE PROVIDERS

GIA takes into consideration the work performed across our three lines model, as well as external audit, to share information and minimise the duplication of efforts and the impact of assurance activity on the business. The GCAO may authorise release of internal audit records, including access to internal audit personnel and physical properties in line with Group and Internal Audit procedures.

In addition, GIA will evaluate the effectiveness of other relevant third party assurance providers and control functions through periodic due diligence and assurance assessments.



October 2022