

GROUP INTERNAL AUDIT CHARTER - NOVEMBER 2017

1. Role of Group Internal Audit (GIA)

Our primary role is to help and support the Board to protect the assets, reputation and sustainability of the Royal London Group (the Group). We also aim to enhance and protect the Group's value.

We operate as the third line of defence, providing independent assurance 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;
- Assessing whether significant risks, including new and emerging risks, are identified and appropriately reported by management and the Group Risk function to the Board Committees;
- Assessing whether there are adequate controls in place to mitigate these risks, and whether they are consistently applied; and
- Challenging the management to improve the effectiveness of governance, risk management and internal controls.

2. Scope and priorities

Our 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.

We take into consideration the requirements of regulators who oversee the Group's activities. We have the right of access to all information, functions, records, staff and property required to perform our work.

Our work is determined by our annual planning process which is driven by a risk assessment of the Group's operations, informed by the risk profile of the Group's business and takes into account all activities of the Group's System of Governance. However, additional reviews or assurance can be requested by the business, subject to Audit Committee approval. Resources are prioritised to focus on the highest assessed risk whilst supporting the Group's business strategy. Our risk assessment and Audit Plan is discussed with the GEC and approved by the Audit Committee annually. Audit plans are also approved at the relevant subsidiary designated Board Committee.

In developing our Audit Plan we consider:

- The Group's risk profile and risk and control culture (including capital and liquidity risks);
- The risks related to poor customer outcomes, and associated conduct or reputational risk;
- The setting of, and adherence to, risk appetite;
- Key Group activities such as significant business process changes, the introduction of new products and services, outsourcing decisions, acquisitions and divestments;
- The management information presented to the Board and sub committees for strategic and operational decision making including major change programmes;
- The design and operating effectiveness of the System of Governance, including internal governance structures and processes;
- The outcomes achieved by the implementation of policies and processes, and whether these are in line with the Group's objectives, risk appetite and values;
- Trends and emerging issues that could impact the Group; and
- Planned assurance work in the first and second line.

The Audit plan is reviewed regularly to take account of new and emerging risks. In light of this review, proposed changes to the plan are reported for consideration and approval by the Audit Committee and relevant subsidiary designated Board Committee.

3. Reporting

We report to the Audit Committee and relevant subsidiary designated Board Committee throughout the year summarising the results and analysis of audit activity in the preceding period. The audit plan is presented to the Audit Committee for approval annually. Audit Plans are also approved at the relevant subsidiary designated Board Committee annually.

The Group Audit Director provides the 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 our team.

An annual assessment of the function's compliance with the Chartered Institute of Internal Auditors (CIIA) Financial Services Code and the results of quality assurance reviews on the work of Internal Audit are reported to the Committee.

Group Internal Audit 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, to the Board Audit Committee. Our reporting includes focus on significant control weaknesses and any thematic issues identified across the Group.

In line with the CIIA Code the Audit Committee obtains an independent and objective external assessment of Group Internal Audit at appropriate intervals. This will include an assessment of Group Internal Audits conformance with the Code of Ethics and the CIIA Standards. The Audit Committee oversees and approves the appointment process of the independent assessor.

4. Independence and reporting lines

The primary reporting line for the Group Audit Director is to the Chair of the Audit Committee, who is responsible for the appointment and removal of the Group Audit Director. The Chair of the Audit Committee sets objectives for the Group Audit Director and recommends remuneration for the Group Audit Director to the Remuneration Committee. The remuneration of the Group Audit Director and Internal Audit staff is structured in a manner that it avoids conflicts of interest, does not impair their independence and objectivity and is not directly or exclusively linked to the short term performance of the Group. The appraisal of the Group Audit Director also considers the independence, objectivity and tenure of the Group Audit Director.

The Group Audit Director communicates and interacts directly with the Audit Committee and has access to its Chair and members in between Audit Committee meetings. The Group Audit Director attends Group Executive Committee (GEC) meetings, but not in a decision making capacity. The Group Audit Director also 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. The Group Audit Director has the responsibility to report promptly any significant issues to the Audit Committee and has direct access to the Chairman of the Board. The Group Audit Director discharges responsibility by delegating attendance at subsidiary designated Board Committees to the Regional Heads of Audit who at all times are acting under the supervision of the Group Audit Director.

GIA are independent of all the Group's functions, including Group Risk, Compliance and Finance, and all functions within the Group maybe subject to Internal Audit. Any interference in the scope would be communicated by the Group Audit Director to the Board Audit Committee to discuss the implications.

GIA have a process for managing conflicts of interest, including internally recruited auditors and safeguards will also be put in place to limit any impairments to independence or objectivity. This also includes managing any potential conflicts of interest where team members hold other related roles outside of the organisation. A conflicts of interest assessment is completed at the start of each audit and through

Group Internal Audit's conflict of interest annual declaration process. Should significant conflicts arise they are discussed with, and if required approved by, the Chair of the Audit Committee and Group Chief Executive Officer.

The Audit Committee evaluates our performance. At least annually, the Group Audit Director confirms to the Audit Committee the organisational independence of the Group Internal Audit team.

5. Resources

Resources and skills are determined by the Group's risk assessment and Audit Plan. The Audit Committee approves the Group Internal Audit budget. The Group Audit Director is responsible for ensuring that the Group Internal Audit team has the skills and experience appropriate for the risks of the Group and to carry out the tasks required of Group Internal Audit. This may include training, recruitment, secondments from other parts of the organisation or co-sourcing with external third parties. The rotation of staff is considered during the Audit Planning process.

6. Relationship with regulators and other assurance providers

The Group Audit Director liaises with the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and other relevant regulators. The Group Audit Director will liaise on matters concerning risk management and control, the Audit Plan and any other material concerns identified either through audit activity or as a result of any points raised by any Group regulator, in line with the Statement of Principles and Code of Practice for Approved Persons and the UK Corporate Code of Governance. The Group Audit Director communicates with the regulators in line with the procedures set out in the Audit Manual.

GIA works with other assurance providers across all lines of defence, including external audit, to share information and minimise the duplication of efforts and the impact of assurance activity on the business. The Group Audit Director may authorise release of internal audit records, including access to internal audit personnel and physical properties in line with Group and Internal Audit procedures.

7. Professional Standards

GIA will conduct itself in accordance with this Charter, the policies, practices and standards set out in the Audit Manual and will carry out its audit work in accordance with the GIA Methodology. GIA treat all information and records obtained in carrying out audits as confidential. GIA complies with the mandatory elements of the 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 the CIIA Code of Ethics. GIA also complies with the RLG Code of Conduct and the recommendations from the CIIA Financial Services Code published in July 2013.