

## STANDARD LIFE INTERNATIONAL INTERNAL AUDIT CHARTER

### 1. Introduction

This charter defines and explains the positioning, scope and operating principles of the Standard Life International Internal Audit (SLIIA) function. The charter is subject to formal review/approval by the Standard Life International Audit Committee (SLIAC) on at least an annual basis.

In order to achieve the principles contained in this charter, the Board, its Committees and Executive Management is required to set an appropriate “tone at the top” to ensure support for, and acceptance of, SLIIA at all levels of the organisation.

### 2. Professional Standards

SLIIA operates in compliance with the International Standards for the Professional Practice of Internal Auditing. Furthermore, it adheres to the Internal Audit Code of Ethics and Internal Audit guidance provided by the European Confederation of Institutes of Internal Audit (ECIIA).

### 3. Role and Mandate

The primary role of SLIIA is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation. This is achieved by assessing whether all significant risks are identified and appropriately reported, assessing whether they are adequately controlled and challenging Executive Management to improve the effectiveness of governance, risk management and internal controls. It is acknowledged that SLIIA may also be asked, by the Board or Executive Management, to provide consultancy, advisory and/or undertake investigative assignments. In these circumstances, the results of any such activities would always be shared with the Chair of the SLIAC, regardless of the origin of such request.

### 4. Scope and Planning

SLIIA’s scope is unrestricted and there are no aspects of the organisation which SLIIA is prohibited from looking at. Key business risk areas and industry themes, identified both internally and externally, will be prioritised to receive more extensive coverage, regular ongoing review and opinion formation.

SLIIA plans, and material changes to plans, are approved by the SLIAC. Plans have the flexibility to deal with unplanned events to allow SLIIA to prioritise emerging risks. Changes to the audit plan are considered through SLIIA’s ongoing assessment of risk.

In setting its plans, SLIIA takes into account business strategy, risk and control culture. SLIIA forms an independent view of whether the key risks to the organisation have been identified, including emerging and systemic risks, and assesses how effectively these risks are being managed. SLIIA’s independent view is informed, but not determined, by the views of Management or the Risk Function. In deciding the audit plan, SLIIA focuses on areas where it considers risk to be higher and will not necessarily cover all risk universe scope areas every year.

### 5. Reporting Results

SLIIA are present at, and issue reports to the SLIAC and any other governing bodies and Board Committees as appropriate. In addition, SLIIA contribute to Solvency II Pillar 3 Reporting.

SLIIA’s reporting to the SLIAC will include significant control weaknesses, root-cause and relevant ‘lesson learned’ analysis, themes and a view on the adequacy of Management’s remediation plans. Bi-annually, SLIIA will provide an opinion on the strength of the design and operation of the Risk Management/Internal Control Framework and adherence to the risk appetite framework across the business.

### 6. Interaction with Other Assurance Providers

Effective Risk Management, Compliance and other assurance functions are an essential part of the SLI corporate governance structure. SLIIA is independent of these functions and is neither responsible for, nor part of them.

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In evaluating the effectiveness of internal controls and risk management processes, in no circumstances does SLIIA rely exclusively on the work of these other assurance providers. SLIIA exercises informed judgement as to when to leverage the work of other assurance providers, and always examines for itself, an appropriate sample of the activities under review, after a thorough evaluation of the effectiveness of other assurance providers' work in relation to the area under review.

SLIIA co-operates with the nominated External Auditors, generally through the sharing of planning information and audit results.

### **7. Independence and Authority**

The Standard Life International Head of Internal Audit (SLIHIA) reports functionally to the SLI Board (through the SLIAC Chair) and administratively to the Phoenix Group Head of Internal Audit (PGHIA). The SLIAC Chair is the final approval point for recommendations made by the PGHIA regarding the performance objectives, appraisal, appointment or removal of the SLIHIA, as well as the overall compensation package of the SLIHIA which is further ratified by the Phoenix Group Remuneration Committee. Each year, as part of the appraisal of the SLIHIA, the SLIAC Chair will consider the tenure of the SLIHIA and the potential for this to impair objectivity.

The remuneration of the SLIHIA is structured in a manner such that it avoids conflicts of interest, does not impair independence and objectivity and is not directly or exclusively linked to short term company performance.

The SLIHIA ensures that SLIIA remains free from anything that impacts its ability to carry out its responsibilities in an unbiased manner.

SLIIA has the right to attend and observe all or part of Executive Committee meetings and any other key management decision making fora. It also has the right to sufficient and timely access to all Board and Executive management information and a right of access to all of the organisation's records, necessary to discharge its responsibilities.

### **8. Resources**

The SLIHIA ensures that audit resources used to deliver the SLI audit plan have the skills and experience commensurate with the risks of the organisation. This includes training, recruitment, secondment from other parts of the organisation and co-sourcing with external third parties.

The SLIHIA provides the SLIAC with a regular assessment of the skills required to conduct the work needed, and whether the SLIIA budget and resourcing arrangements are sufficient to provide the expertise and experience necessary to provide effective challenge throughout the organisation and to the Executive.

The SLIAC is responsible for approving the SLIIA budget and for confirming whether it is satisfied that SLIIA has access to the appropriate resources.

### **9. Quality Assurance**

The SLIAC is responsible for evaluating the performance of SLIIA on a regular basis and has identified appropriate criteria for defining the success of the function.

SLIIA maintains a proportionate quality assurance and improvement process which ensures that the IA teams' judgements and opinions are adequately evidenced. The results of these assessments are presented directly to the SLIAC at least annually.

An independent and objective external assessment of SLIIA will be completed at least once every five years, with the appointment of the independent assessor approved by the SLIAC.

### **10. Relationships with Regulators**

The SLIHIA has an open, constructive and co-operative relationship with regulators, which supports the sharing of relevant information.