



# Aegon UK Internal Audit Charter

## Mission and Vision of Internal Audit

### **The mission is to:**

Help management achieve their strategic objectives by bringing a systematic, risk-based approach to evaluating and improving corporate governance, risk management and internal controls. Internal Audit develops talent with an expertise in risk and control, which is deployed for the benefit of Aegon.

### **The vision is to:**

Align audit coverage to strategic business objectives with thematic reporting resonating, informing or initiating debate and driving action. Operate as an integrated global team, where skills are shared across Business Units (BUs), methodology is consistent and all BU audit teams are held to account for the same standard through global quality assurance.

## 1. Purpose of the Charter

The purpose of this Charter is to define the nature, role, responsibilities, status and authority of the Internal Audit Function (“Internal Audit”) within Aegon UK.

## 2. Ownership, Maintenance and Authorisation of the Charter

The owner of this Charter is the Chief Internal Auditor (UK) (referred to as Chief Internal Auditor UK or CIA UK). This Charter is derived from the Aegon NV Charter which is owned by the Global Chief Audit Executive (Global CAE) and approved by the Audit Committee of the Supervisory Board of Aegon N.V. The Aegon UK Charter explains the application in Aegon UK. It will be reviewed annually by the CIA UK following updates to the Global Charter and updated as required. The Aegon UK Group Audit Committee (Audit Committee) will approve this Charter.

## 3. Objective of Internal Audit

Aegon’s Internal Audit Function assists management in protecting Aegon’s assets, reputation and sustainability by independently and objectively evaluating the design, implementation and effectiveness of internal controls, risk management and governance processes.

The purpose of Internal Audit is to systematically evaluate the Aegon control environment. The activities of Internal Audit consist of, but are not limited to, assessing the combined effectiveness of governance, organization, policies, procedures, and systems. Examples may include strategy, culture, finance, performance, compliance, system security, and due diligence engagements.

Internal Audit may provide consulting services where the nature and scope of the services are agreed with the service requestor. These should fit the nature of Internal Audit and not interfere or conflict with the independence and objectivity of Internal Audit. The consulting services intend to add value and improve Aegon’s governance, risk management, and control processes without assuming any management responsibility by the internal auditors.

Examples include counseling, advice, facilitation, and training. In order to act upon Aegon’s purpose, the services provided by Internal Audit need to be aligned with Aegon’s strategy and business objectives.

Opportunities to strengthen the existing management control environment, effectiveness and Aegon’s reputation may be identified during all of its activities.

## 4. Authority and Role

### Role of Management

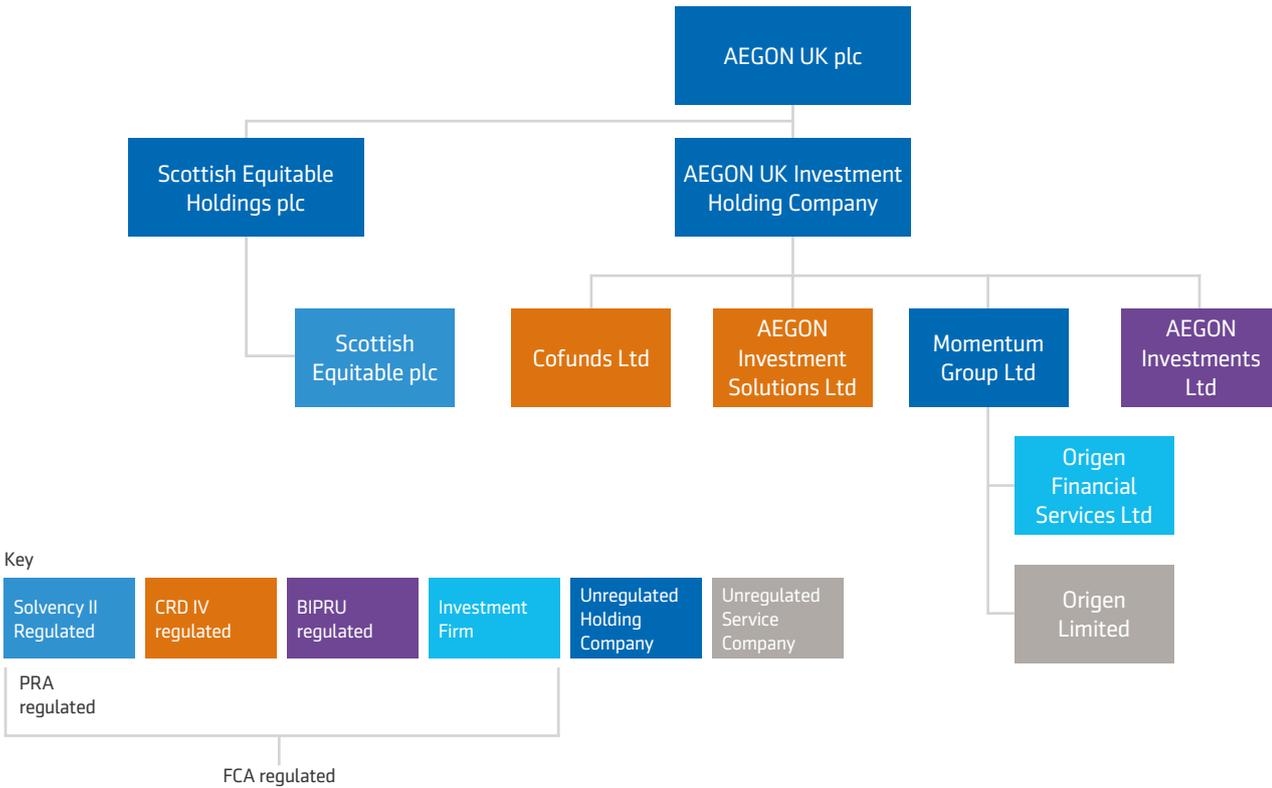
Management is responsible for the design, implementation and operation of a governance and control framework which supports the achievement of strategic business objectives. As part of that, management must support the establishment and operation of Internal Audit that meets the requirements as set out in this Charter.

### Authority

Internal Audit derives its authority from the Group and BU Boards and is authorized to examine the internal controls, risk management and governance processes in all areas of Aegon.

Internal Audit is authorized to have full, free, and unrestricted access to all Aegon records, functions, physical properties, and personnel, including where appropriate outsourced operations, within a reasonable period of time of making the request. Any limitation in the scope of Internal Audit as a function needs to be disclosed to – and discussed with – the Aegon UK Group Audit Committee. Local laws and regulations will apply regarding the attainment of any records required.

## 5. Scope of Aegon UK Internal Audit



The Aegon UK (AUK) Internal Audit team provides assurance for all regulated legal entities to their relevant responsible Committees as detailed below:

**AUK Group Audit Committee** – this covers Scottish Equitable Plc, Cofunds Ltd and Aegon Investments Ltd.

**Aegon Investment Solutions Limited (AISL) Board** – for AISL Ltd

**Origen Board** – for Origen Financial Services Ltd

## 6. Reporting & Escalation

To ensure the appropriate influence, authority, independent position and, direct access to the appropriate parts of the organization the CIA (UK) has an escalation path and primary reporting line to the Chair of the Aegon UK Group Audit Committee. In addition, the CIA (UK) has an escalation path and reporting line to the Global CAE and a reporting line to the Aegon UK CEO.

## 7. Governance

The risk governance structure of Aegon is documented in the Global Risk Management Charter. An important element is the establishment of Aegon’s risk tolerance at the Group level and managing the actual risk profile in line with Aegon’s risk tolerance.

### Three Lines model – Position of Internal Audit

Aegon’s approach to risk management will follow the enterprise-wide principle of three lines– 1) risk ownership, 2) risk management and compliance, and 3) independent assurance.

The first line is the business and consists primarily of the risk owners. The second line facilitates risk management by developing, maintaining, and overseeing compliance with group-wide risk governance, risk tolerances, risk policies and risk methodology, which are applicable to all businesses for which Aegon has operational control. The third line, Internal Audit, provides independent assurance opinions on the adequacy and effectiveness of the systems of internal control, risk management and governance.

Based on the assurance opinions, Internal Audit recommends improvements which are agreed with management and pursues corrective actions on identified issues until implementation.

### **Positioning of Internal Audit in the Organization**

Internal Audit is independent of senior management, which has responsibility for the first and second lines.

Internal Audit is not responsible for any management decisions or activities. This positioning enables Internal Audit to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management and governance.

The independence of Internal Audit is also embedded through the authority to appoint or dismiss the Aegon CIA UK. The Chair of the Audit Committee appoints and dismisses the CIA UK in consultation with the Global CAE. Such decisions will be submitted to the Aegon AUK Group Audit Committee for approval. The performance evaluation and remuneration of the CIA UK is determined by the Aegon UK Group Audit Committee with awards paid via the Remuneration Committee.

Internal Audit must not participate in any activity or relationship that has the potential to impair its objectivity and must avoid conflicts of interest. Where such a conflict occurs, Internal Audit must report this to the Audit Committee. Specifically, internal audit staff recruited from the business must not audit an area for which they were previously responsible until a period of at least 12 months has passed.

### **Committees**

The CIA UK shall meet periodically with the Aegon UK Group Audit Committee to report activities since the previous meeting including significant audit findings, future activities relating to regular audits and special projects, acts of fraud, theft or misconduct, and other matters believed to be of sufficient magnitude and importance. Additionally, the CIA UK meets privately with the AC, as part of the periodical Internal Audit update provided to the AC. If deemed necessary, the CIA UK is also entitled to request their respective Chair of the AC to convene a meeting of the AC.

The CIA UK is authorized to communicate directly in confidence to the AC of Aegon UK and key members of management AUK level, including but not limited to the CEO, Chief Financial Officer, Chief Risk Officer, General Counsel and Compliance Officer. However, findings will normally be reviewed and discussed with appropriate Aegon management before being taken to Aegon senior management and the AC.

## **8. Responsibilities of Internal Audit**

### **General Overview**

To realize the objective of the function, Internal Audit supports the Management Board (MB), EB, SB and BU ACs to evaluate and improve the control environment, facilitates the business in pursuing actions to improve the control environment and to challenge/monitor and independently evaluate the effectiveness of controls, risk management and governance. This includes the following responsibilities at Group level and BU level:

- Prepare and execute a risk-based audit plan which is approved by the MB, BUs' ACs and the AC of Aegon N.V. (below referred to as "the AC").
- Execute audits on the functioning of the first and second lines.
- Identify, and agree with management, opportunities to improve internal controls, risk management and governance processes and verify that such improvements are implemented within a reasonable period of time. Ensure that these are brought to the attention of the AC, as appropriate.
- Assist in the investigation of significant suspected fraudulent activities within Aegon or conduct special reviews or consulting which may not usually be included in the scope of Internal Audit and notify the AC of the results of these activities.
- Issue periodic reports to respective management and the AC, summarizing the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit resources.
- Provide periodic reporting on issue and action tracking based on consistent Management Information.

- Ensure the AC is kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and compliance and risk management teams, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.
- Coordinate and work together with other control and monitoring functions (e.g. Risk Management, Compliance, and external auditors).
- On Group level promptly report any major problem or incident which could significantly impact the risk profile or financial position of Aegon to the EB and the AC.
- Report on the outcome of the annual budget process as well as periodic reporting on the usage of the budget.
- Audit department risk assessment and progress on the (semi-)annual audit plan.
- Timely review of any significant changes to the audit plan that impact the delivery against the original commitments (e.g. unplanned management requests added, deferrals of audit projects, etc.).
- Promptly report any major problem or incident within the UK or the audit team which could significantly impact the risk profile or financial position.
- Sharing of knowledge in Subject Matter Expert areas in order to achieve benefits of scale or make more effective use of expertise.
- Provide a skills and competencies overview of AUK team members and identify and communicate any potential resource gaps. Minimum requirements are set for on-boarding and continuing development of staff.
- Any significant staffing or structural audit changes including but not limited to changes in budgeted headcount and decisions regarding material outsourcing and offshoring of audit activities. Outsourcing of Internal Audit activities could alleviate temporary resourcing constraints. In case external resources will be engaged to a different scale or extent than anticipated in the audit plan, this will be approved by the Global CAE.
- Reporting on any significant deviation from the role or primary responsibilities as outlined in this Charter. New activities outside the responsibilities of this Charter, or those presenting a real or perceived threat to independence, must be considered by the Global CAE and AUKs' CIA and reported to the Aegon N.V. and AUK ACs.
- Maintain a Quality Assurance Improvement Program, and report on its progress.

### Organization and People

In order to meet the objectives of the function, the Global CAE will have the following responsibilities relating to resourcing, adequate staffing, skillset and operation of the function:

- Establishment of any new Internal Audit Department across Aegon, including Joint Venture audit teams. The teams should have appropriate professional skills and knowledge to effectively execute their tasks.
- The development, maintenance, and coordination of the overall Group Internal Audit talent management and succession plan.
- Maintaining consistency in the Global Internal Audit methodology and practices utilized.
- The Chair of the Aegon UK Audit Committee appoints and dismisses the Chief Internal Auditor (UK) in consultation with the Global CAE. Such decisions will be submitted to the Aegon AUK Group Audit Committee for approval.

### Reporting by AUK Internal Audit Department

The following activities, while not exhaustive, outline the involvement or approval of the Global CAE in the AUK Internal Audit Department:

- Annual objectives setting and performance assessments of Aegon UK's CIA including corresponding remuneration and bonuses.

The activities listed above are not intended to be all inclusive and will be updated as new items need to be considered. To ensure the needs of the AC of Aegon N.V. are met, certain information will need to be provided in a consistent manner as established by the Global CAE. The Global CAE will also periodically participate in various BU AC meetings and need to receive advance copies of AC materials.

### **AUK Internal Audit Departments – Responsibilities**

The AUK CIA has the following responsibilities relating to resourcing and adequate staffing and skillset of the AUK Internal Audit department:

- Annual objectives setting and performance assessments of AUK audit team members and corresponding remuneration, including bonuses.
- Appointment or removal of AUK audit team members.
- Ensure adequate resourcing of AUK audit teams to effectively execute their tasks.
- Promptly report any major problem or incident within the AUK audit team to AUK management, the AC and the Global CAE

### **Global IT Audit**

Due to the specialist nature of skills, Global IT Audit resources are organized as a Shared Service. The resource is operated as a pool, with specialist skills located in Corporate Center and the remaining staff are based in BUs.

IT Audit works closely with the AUK audit team to deliver IT Audit Services. To fulfill this role, the Global IT Audit Director is required to be engaged in core aspects of the AUK operations. This is similar to the Global CAE engagement with the AUK, and specifically requires:

- The Global IT Director is responsible for strategic resourcing including involvement in the appointment and removal of IT Audit staff, sourcing, capability development, performance assessment and training of the IT audit function. This is a joint responsibility where IT audit staff is located in a specific BU.

- The Global IT Audit Director is, together with the AUK CIA, jointly responsible for developing the IT elements of the AUK audit plan as well as the execution of IT audits and integrated audits at AUK.
- The Global IT Audit Director sets the competency framework and training curriculum for IT Audit staff.
- Certain distribution rules are applied to audit reports involving IT issues, which are set by the Global Internal Audit Methodology.

## **9. Additional Notes**

### **Professional Practice**

AUK Group Internal Audit complies with the audit methodology as set out in the Group Internal Audit Manual (GIAM). The GIAM complies with the International Professional Practices Framework of the Global Institute of Internal Auditors. In addition, Aegon UK also complies with the UK CIIA Code. The UK CIIA Code is a framework considered to be best practice for effective Internal Audit in Financial Services. Further, the Aegon UK Chief Internal Auditor is subject to the UK Senior Managers and Certification Regime and is Senior Manager Function (SMF)5 for Cofunds Ltd and Scottish Equitable plc.

### **Independence and Objectivity**

Internal Audit avoids any conflict of interest and does not execute any operational duties for Aegon and auditors will not review a business area or function in which they have had any management or operational responsibility in the last 12 months or are otherwise conflicted. When performing consulting services, Internal Audit maintains objectivity and must not assume management responsibility.

The Global and BUs' CAEs will confirm annually the organizational independence to their respective ACs. If the Global or BU's CAEs determine that independence or objectivity may be impaired, in fact or appearance, the details of impairment will be appropriately disclosed.

## Confidentiality

Internal Audit will maintain appropriate confidentiality while discharging its duties, knowing Internal Audit has access to highly sensitive data and information.

## External Resources

External resources, if engaged, should comply with the principles of this Charter and the Internal Audit policies applicable to Internal Audit at Aegon.

## Internal Quality Assurance

Internal Audit maintains a quality assurance and improvement program that covers all aspects of its activities. The program includes an internal assessment of Internal Audit's conformance with the IIA Standards and the Aegon Internal Audit Methodology. The Global CAE and BU CAEs will report annually on the outcome of this internal assessment.

## External Quality Assessment (EQA)

Internal Audit Aegon UK complies with the Institute of Internal Auditors International Standards for the Professional Practice of internal Auditing; Standard 1312, which states an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.

## Additional roles of Internal Audit in Aegon UK

AUK Internal Audit is responsible for AUK compliance with the Speak Up Policy and is responsible for independently investigating whistleblowing disclosures and reportable concerns as they arise. Outcomes of whistleblowing investigations are reported annually to the Aegon UK Group Audit Committee. The Chair of the Aegon UK Group Audit Committee is also the Whistleblowing Champion for Aegon UK.

The role of the function in implementing the Speak Up Policy must be considered under IIA Standard 1100. The IIA considers that Internal Audit should either provide assurance to the Board or play an integral part in the process of internal whistleblowing in their organizations. In Aegon UK we perform the latter role.

Due to the nature of the whistleblowing role, this is not considered to impair the independence of the third line as the investigations are similar to audit work. The involvement of Internal Audit allows staff to have an internal reporting route outside of management and allows for oversight by the Board as the Whistleblowers' Champion is also the CIA's primary reporting line.

