



## Internal Audit Charter

29 October 2018

## Introduction

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the organisation and support the Board and Executive Management in protecting the assets, reputation and sustainability of the organisation and its stakeholders.

Internal Audit supports the Standard Life Aberdeen plc in accomplishing its goals and objectives by bringing a professional and constructive approach to evaluate and improve the adequacy and effectiveness of the organisation's risk management, control and governance processes and culture including responses to risk across all activities of the organisation.

## Principles and Governance

Internal Audit is committed to a philosophy of working to the highest ethical and professional standards.

Internal Audit operates within the International Professional Practice Framework (IPPF) established by the Chartered Institute of Internal Auditors (CIIA). As such, Internal Audit will comply with all relevant CIIA Standards and the Code of Ethics, or disclose non-conformance (subject to appropriate proportionality). Internal Audit also applies the recommendations from the Committee on Internal Audit Guidance for Financial Services on 'Effective Internal Audit in the Financial Services Sector (2017)'. In addition, Internal Audit will comply with all relevant Standard Life Aberdeen policies and procedures and Internal Audit's own Methodology.

## Authority and Positioning

The Chief Internal Auditor will report functionally to the Chairman of the Standard Life Aberdeen Audit Committee (a permanent Board committee) and administratively to the Chief Executive.

The Audit Committee will approve the appointment or removal and the performance evaluation of the Chief Internal Auditor as well as their annual compensation. The Chief Internal Auditor has equivalent authority to executive peers across Standard Life Aberdeen. The Internal Audit management structure is also reflective in terms of remuneration and authority to their equivalent peers. The Chief Internal Auditor and delegates will communicate directly and have full, free and unrestricted access to all relevant governing bodies.

The Chief Internal Auditor will not assume responsibility for any other function or for determining the policy of Standard Life Aberdeen.

Internal Audit will be objective and independent from operational functions and have no direct operational responsibility or authority over any of the activities audited.

Internal Audit staff will not audit any activity for which they had authority or responsibility within the past year.

Internal Audit staff must have an impartial, unbiased attitude and avoid any conflict of interest.

Internal Audit's scope is unrestricted and they hold full, free and timely access to any and all of Standard Life Aberdeen's functions, records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are required to assist Internal Audit in fulfilling its roles and responsibilities through taking ownership of and providing a timely response to information requests, audit findings and actions.

## Scope, Role and Responsibility

Internal Audit's scope includes but it is not limited to the in-scope items defined in section 6 of the recommendations from the Committee on Internal Audit Guidance for Financial Services on 'Effective Internal Audit in the Financial Services Sector', which are as follows:

- Internal Governance;
- The information presented to the Board and Executive Management for strategic and operational decision making;
- The setting of, and adherence to, risk appetite;
- The risk and control culture of the organisation;
- Risks of poor customer treatment, giving rise to conduct of reputational risk;
- Capital and liquidity risks;
- Key corporate events;
- Outcomes of processes.

Internal Audit will:

- Apply strict accountability for the confidentiality and safeguarding of records and information, and the accuracy of outputs.
- Comply with regulation, internal policies, laws and risk management requirements across Standard Life Aberdeen and the regions in which it operates. Where necessary inform relevant audit committees and governance boards prior to notifying local regulatory authorities of any relevant matters.
- Give honest, independent, strategically minded and constructive feedback based on facts determined through thorough and professional research, analysis and testing.
- Support the business through the provision of independent and risk focused expertise to identify solutions and drive improvements for the benefit of all stakeholders.
- Assess the controls in place to safeguard assets on a risk assessed basis.
- Provide oversight and opinion on the organisation's culture and conduct and strive to protect Standard Life Aberdeen's reputation through risk assessed review performed by the function.
- Continually assess the capability of their function and, where gaps are identified, act to address these through training, recruitment or use of co-source partners.

## Planning, Oversight and Quality Principles

Internal Audit will:

- Maintain a view of the organisation through business intelligence gathering and relationship management activities to ensure an informed and risk assessed Internal Audit plan is maintained at all times to decide priorities.
- Develop a risk based annual audit plan with a detailed view of 6 months of planned activity and a high level view of the second 6 months. The plans for the second 6 months are confirmed following a formal half year refresh of the audit plan.
- Manage and monitor their use of resource at all times and continue to develop their people as a valued resource to Standard Life Aberdeen. The Chief Internal Auditor may

utilise internal and external resources to complete the audit work and will alert the Audit Committee immediately if they feel there are inadequate resources to fulfil Internal Audit's obligations to the Board.

- Conduct a programme of Quality Assurance over the Internal Audit activity in line with the International Internal Audit Standards to ensure consistent quality and adherence to methodology.
- Conduct an annual effectiveness review and instruct an external, independent body to conduct this review at least once in every 5 year period and to report those results to the AC.

## Review Principles

Internal Audit's review process will:

- Apply appropriate rationale and intelligence gathering when determining coverage and areas of scope.
- Adopt a constructive and collaborative approach at all times.
- Obtain input to and share outputs of work performed with management in a timely manner to allow appropriate opportunity for engagement and response.
- Seek to identify commercially focused, value adding improvement opportunities and support the business with risk and control expertise throughout their implementation.

## Reporting Principles

Internal Audit will be present at and report their activity to the Audit Committee and other relevant bodies. Internal Audit reporting will include:

- Performance to the Audit Committee approved Internal Audit plan and own performance measures.
- Work performed and concerns identified and examples of strong performance and best practice where they are identified.
- Findings not being addressed in a timely manner and management's response to this as an indicator of risk culture.
- Industry and regulatory context to allow the Board to assess content in relation to the current environment.
- Relevant information of interest such as emerging trends and themes, root cause analysis, issues of group consistency and examples of poor culture.
- Keeping the Audit Committee informed of key personnel, adequacy of resources, structural or methodological changes to Internal Audit's approach and seeking approval for these where appropriate.
- All further required submissions such as the Internal Audit plan, the half yearly control environment assessment, QA update, submission of the charter for approval, effectiveness assessment and confirmation of independence.
- Corrections of any significant errors or omissions in reporting made in previous periods.

## Internal Audit Charter Approval

This charter is reviewed and approved by the Audit Committee each year. It will be made available on the Standard Life Aberdeen plc external website.