

Group Internal Audit Charter

1. Introduction

This charter defines and explains the positioning, scope and operating principles of the Phoenix Group Internal Audit (GIA) function. The charter is subject to formal review/approval by the Group Board Audit Committee (GBAC) 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, GIA at all levels of the organisation.

2. Professional Standards

GIA operates in compliance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing. Furthermore, GIA adheres to the IIA's Code of Ethics, Guidance on Effective Internal Audit in the UK Financial Services Sector and Internal Audit guidance provided by the European Confederation of Institutes of Internal Audit (ECIIA).

3. Role and Mandate

The primary role and mandate of GIA 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 GIA may also be asked, by the Board or Executive Management to provide consultancy, advisory and/or undertake investigative assignments on a range of focused or holistic matters such as ethics, risk culture or tone within the organisation. In these circumstances, the results of any such activities would be shared with the Audit and/or Risk Committees and specifically with the Chair of the GBAC, regardless of the origin of such request.

4. Scope and Planning

GIA's scope is unrestricted and there are no aspects of the organisation which GIA 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.

GIA Audit plans, and material changes to plans, are approved by the GBAC. Plans have the flexibility to deal with unplanned events to allow GIA to prioritise emerging risks. Changes to the audit plan are considered through GIA's ongoing assessment of risk. In setting its plans, GIA

takes into account business strategy, risk and control culture. GIA 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. GIA's independent view is informed, but not determined, by the views of Management or the Risk Function. In deciding the audit plan, GIA 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

GIA are present at, and issue reports to the GBAC and any other governing bodies and Board Committees as appropriate. In addition, GIA contribute to Solvency 11 Pillar 3 Reporting.

GIA's reporting to the GBAC will include significant control weaknesses, root-cause and relevant 'lessons learned' analysis, themes and a view on the adequacy of Management's remediation plans. Bi-annually, GIA 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 Phoenix Group's corporate governance structure. GIA is independent of these functions and is neither responsible for, nor part of them.

In evaluating the effectiveness of internal controls and risk management processes, in no circumstances does GIA rely exclusively on the work of these other assurance providers. GIA 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.

In the case of Phoenix's Outsourced Service Providers (OSPs), GIA operates a risk-based oversight model for the more material arrangements, where a contractual audit service is received, GIA ensures the activities of the Outsourced Internal Audit functions meet GIA standards (which are aligned to Chartered Institute of Internal Audit standards).

GIA co-operates with the Group's nominated External Auditors, generally through the sharing of planning information and audit results.

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7. Independence and Authority

The Group Head of Internal Audit (GHIA) reports functionally to the Group Board (through the GBAC Chair) and administratively to the Chief Executive Officer (CEO). The GHIA is supported by a Head of Internal Audit for SL International (SLIHIA), whose primary focus is Phoenix's European business.

Where the GHIA's tenure exceeds seven years, the GBAC will explicitly assess his/her independence and objectivity annually. The GBAC Chair is the final approval point for recommendations made by the CEO regarding the performance objectives, appraisal, appointment or removal of the GHIA as well as the overall compensation package of the GHIA which is further ratified by the Remuneration Committee.

The remuneration of the GHIA the SLIHIA Heads of Internal Audit (HIA), Senior Internal Audit Managers (SIAM), and Senior Internal Auditors (SIA) 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 GHIA ensures that GIA remains free from anything that impacts its ability to carry out its responsibilities in an unbiased manner.

GIA 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 GHIA ensures that the audit team has 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 GHIA provides the GBAC with a regular assessment of the skills required to conduct the work needed, and whether the GIA budget is sufficient to allow the function to recruit and retain staff with the expertise and experience necessary to provide effective challenge throughout the organisation and to Executive Management.

The GBAC is responsible for approving the GIA budget and, as part of the Board's overall governance responsibility, discloses in the annual report whether it is satisfied that GIA has the appropriate resources.

9. Quality Assurance

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

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

The GBAC obtains an independent and objective external assessment of GIA at least once every five years. The GBAC chair oversees and approves the appointment process for the independent assessor.

10. Relationships with Regulators

The GHIA and other senior managers within GIA have an open, constructive and co-operative relationship with regulators, which supports the sharing of relevant information.

11. Subsidiaries

The Group Internal Audit Charter applies to the Phoenix Group and all of its subsidiaries. For material subsidiaries (e.g. Phoenix Life/SLOC, SLINTL, Phoenix Re) a subsidiary Head of Internal Audit may be appointed to report to the subsidiary Audit Committee, with a functional reporting line to the GHIA and a dotted reporting line into the Subsidiary Audit Committee Chair. The Subsidiary Audit Committee Chair is the approval point for recommendations made by the GHIA regarding the appointment performance objectives, appraisal, or removal of the Subsidiary HIA.

Audit plans (and any material plan changes) for subsidiaries are approved by the Subsidiary audit committee, with overall approval of the group audit plan provided by the GBAC.