



AIA Group Limited

Group Internal Audit Charter

AIA Restricted and Proprietary Information

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1. Introduction

The effective operation of Group Internal Audit (“**GIA**”) as a key part of the control environment is fundamental to the ability of AIA Group Limited and its subsidiaries (“**AIA**”, the “**Group**” or the “**AIA Group**”) to achieve its vision, mission and purpose. The Group has adopted a risk management and internal control structure, referred to as the “three lines of defence”. GIA’s role as the third line of defence is independent of the first and second lines of defence. The Board of Directors, senior management, first and second line management, GIA (as the third line of defence) and all employees have a shared commitment to maintain and enhance the integrity of the Group’s control environment. This Charter sets out, amongst other things, the role, purpose, authority, scope and responsibilities of GIA and the arrangements for the management of the function, including ensuring its independence and objectivity.

This Charter is owned by the Group Head of Internal Audit and is approved by the Board Audit Committee (“**BAC**”). This Charter has been developed with reference to best practices and standards issued by relevant professional bodies. Adherence to the requirements within the Charter is mandatory for all GIA staff. The Charter should be read in conjunction with the Terms of Reference for the BAC, which sets out the duties of the BAC in providing oversight to the Group’s financial reporting system and internal control procedures.

This Charter will be assessed, periodically and as needed, by the Group Head of Internal Audit to ensure it remains current and continues to enable GIA to accomplish its objectives, and any changes will be formally approved by the BAC. For the purpose of meeting local regulatory or legal requirements, this Charter may be translated and/or supplemented with an addendum and approved by the relevant local Audit Committee(s), but this original version shall not be amended and shall prevail in the event of any discrepancies.

2. Mandate

The purpose of GIA is to assist the Board, the BAC and executive management to protect the assets, reputation and sustainability of the Group. GIA’s mission is to provide independent, objective, reliable, insightful and timely assessment and reporting of the overall effectiveness of risk management, internal controls and governance processes across the Group and appropriately challenge executive management to improve the design and operating effectiveness of these processes. GIA achieves this through:

- Developing and maintaining an efficient and effective programme of audit coverage and appropriate reporting processes that provide reasonable assurance that the systems of risk management, internal controls and governance processes, as designed, achieve its objectives.
- Fostering a continuous, self-managed control environment in partnership with senior management and the Group’s risk management and control communities.
- Providing relevant insights to help address challenges arising from the current and expected business environment and providing recommendations to management on appropriate control solutions.
- Disseminating best practices and lessons learned across countries.
- Conducting or participating in other non-audit type engagements such as special projects and forensic investigations.

3. Organisation

The Group Head of Internal Audit is accountable to the BAC, through a functional reporting line to the Chairperson of the BAC. The Group Head of Internal Audit will periodically assess, and report to the BAC on the continued adequacy of the function's mandate, independence, objectivity, authority, responsibility, and resources in order to enable it to accomplish its objectives.

The Group Head of Internal Audit will also provide reports to other Board committees and Executive committees as appropriate. The Group Head of Internal Audit attends the Group Executive Committee meetings, on a regular basis and in part, but does not participate in decision making. Audit-related matters are not subject to approval by the Group Executive Committee or any other executive governance body. Executive management do not determine the Group's coverage requirements, or place restrictions on the scope of audits within the audit plan, or place restrictions on the reporting by GIA of its findings and assessments. For administrative purposes, the Group Head of Internal Audit is a report of the Group Chief Executive and President¹.

All local Heads of Internal Audit report directly to the Chairperson of the respective local Audit Committees and to the Group Head of Internal Audit, either directly or through his/her nominated director, with no direct reporting line to local management.

4. Authority

The Group Head of Internal Audit has direct and unrestricted access to senior management, including the Group Chief Executive and President, and members of the BAC. The Group Head of Internal Audit is authorised by the BAC to review all areas of the Group, and have complete and unrestricted access, on request, to any of the Group's data, records, information, personnel and physical properties which the Group Head of Internal Audit considers is reasonably necessary for fulfilling GIA's mandate. The Group Head of Internal Audit is also authorised to designate members of GIA to have such access in the discharging of GIA's roles and responsibilities. All employees are requested to assist GIA in fulfilling its roles and responsibilities. GIA also has the right to use resources from outside of the AIA Group, either to alleviate temporary resource constraints or to provide access to particular specialisms, for the performance of internal audit activities.

It is expected that the Group Head of Internal Audit will attend all meetings of the BAC and, at least twice a year, meet in private with the members of that BAC without the executive directors or management being present. GIA will also attend all meetings of the local Audit Committees in all subsidiaries and branches in the AIA Group. The agendas of all subsidiary and branch Audit Committees require the local Audit Committees to consider at every meeting whether there are any matters requiring to be escalated to the BAC, and to make such escalations if considered necessary. These matters shall be communicated to the Group Head of Internal Audit, who will then escalate the matters to the Chairman of the BAC. The Chairperson of the BAC will provide a summary report to the Board of Directors, as appropriate.

Employees of the Group may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. GIA should be

¹ The Group Chief Executive and President supports the review of GIA's financial budget, and the performance appraisal and compensation proposal of the Group Head of Internal Audit. Approvals for leave plan, expense reimbursement and travel are delegated to the Group Chief Risk Officer.

provided with any whistleblower allegation and all whistleblower reports to ensure transparency of the process and to investigate in accordance with relevant protocols.

GIA's rights of access extend to all legal entities in the AIA Group and other business partnerships, outsourcing and reinsurance arrangements, where these are contractually provided for.

5. Scope and Responsibility

Within AIA's governance framework, GIA operates as the third line of defence. The scope of GIA's work encompasses, but is not limited to, the evaluation and reporting of the adequacy and effectiveness of management's systems of risk management, internal controls and governance processes and the quality of performance in carrying out assigned responsibilities within the context of achieving the business objectives and protecting the assets, reputation and sustainability of the Group. GIA is not responsible for setting the Group's risk appetite or for the effectiveness of the framework of internal controls.

The scope of GIA's work includes:

- a) An assessment of risks and the design and/or operational effectiveness of key policies, procedures and internal controls implemented to mitigate the risks identified. This includes those in place to ensure appropriate levels of adherence to applicable laws, regulations, and guidance of relevant regulators; and applicable standards and codes issued by the industry bodies.
- b) An evaluation of the design and/or operating effectiveness of the Group's key internal governance, policies and processes, and whether they are in line with the vision, mission and purpose, risk appetite and values of the AIA Group. This includes an evaluation as to whether the design and control of products, services and supporting processes deliver appropriate customer outcomes.
- c) An assessment of the risk and control culture of the Group.
- d) An assessment of whether risk appetite has been established, embedded and adhered to within the activities, limits and reporting of the Group, and whether these have been reviewed through the active involvement of the Board, its Committees and executive management.
- e) An assessment of the means of safeguarding and verifying policyholder assets as well as those of the Group, as well as deterring, preventing, detecting and reporting fraud, misappropriation or misapplication of such assets; and that the assets of the two remain appropriately segregated.
- f) An assessment of the modelling and management of the Group's capital and liquidity risks, as well as evaluating the means of verifying the liabilities of the organisation.
- g) Monitoring and evaluation of the adequacy and appropriateness of the Group Internal Economic Capital Assessment's governance and control procedures.
- h) An assessment of the reliability, integrity and completeness of accounting, financial, management, information technology systems and risk reporting information.

- i) An assessment of the capability and adaptability of information technology systems to provide information in an accurate and timely manner to the Board of Directors and senior management.
- j) A determination of whether risks regarding key corporate events such as significant business process changes, the introduction of new products and services, outsourcing decisions and acquisitions/divestments are being adequately addressed and reported. GIA will determine which events are sufficiently high risk to warrant involvement on a real time basis.
- k) Making objective and appropriate recommendations to improve the Group's control environment and assist executive management achieve their strategies.
- l) Providing assurance that issues of which GIA becomes aware that could impact the achievement of AIA Group's goals and objectives are brought to the attention of management, the BAC and local Audit Committees, as appropriate, and that timely follow-up on management actions to mitigate the identified risks occurs.
- m) Investigating and reporting on cases of suspected fraud and malpractice pursuant to the Group Anti-Fraud Framework and/or other relevant policies.
- n) Reporting significant matters arising to the BAC and local Audit Committees.

The scope of GIA's activities extends to all legal entities in the AIA Group and other business partnerships, outsourcing and reinsurance arrangements, where appropriate.

The Group Head of Internal Audit has the responsibility to establish policies and a system to direct the management of the audit function and its activities and to design and implement audit strategy and plans. To this end, the GIA Manual sets out the key operating policies and procedures, as well as, the GIA Methodology that governs internal audit activities. All GIA engagements will be conducted with proficiency and due professional care in accordance with the GIA Methodology. GIA will ensure that the audit team has the knowledge, skills, experience, and other competencies needed to perform its responsibilities and commensurate with the risks of the AIA Group. Where appropriate, independent internal or external technical specialists will be engaged to supplement the core team, and quality assurance and improvement practices. GIA staff are expected to apply the care and skills expected of a prudent and competent auditor and consider the use of technology-based audit and other data analysis techniques in their work. The Group Head of Internal Audit will also ensure emerging trends and best practices in internal auditing are considered.

GIA will submit at least annually an audit plan of coverage, related budget and resource plan to the BAC for review and approval. Individual audit plans of subsidiaries and branches will also be presented to and approved by the relevant local Audit Committees. The audit plan, including the frequency and method of audit cycle coverage, will be based on prioritisation of the identified auditable areas using a risk-based, top-down and bottom-up approach. The GIA Audit Plan is dynamic and is subject to continuous review to accommodate specific events or changes in the structure or risk profile of the Group, additional high risk areas identified from the results of work performed by GIA and other assurance providers, as well as special reviews or assignments requested by Group and local management, the BAC and local Audit Committees, and regulators.

The Group Head of Internal Audit will provide the BAC, at least annually, an assessment of the control environment, based on the audit work performed, of the

overall effectiveness of the governance, and risk and control framework of the Group, including a conclusion on whether the control environment is overall adequate and operating effectively to manage risks within stated appetite and support business objectives, together with an analysis of themes, recurring issues and root causes of the issues identified and trends emerging from GIA work and their impact on the Group's risk profile.

6. Independence and Objectivity

GIA must be independent from management at all times in order to be effective in performing its activities.

GIA staff are expected to exhibit the highest level of professional objectivity in carrying out their duties, must make a balanced assessment of all relevant circumstances, remain impartial and seek to avoid the appearance of any professional or personal conflict of interest, including matters of audit selection, scope, procedures, frequency, timing and report content. GIA staff will have no direct operational responsibility or authority over any business activity or personnel outside of the function.

From time to time GIA may be requested to provide consultancy services, which are advisory in nature, intended to add value and improve the Group's risk management, internal control and governance processes without GIA assuming management responsibility. Where such services entail significant involvement with the business or result in the business instigating major changes to its processes or activities, the GIA staff involved will only provide assurance services to that area where there is no perceived or actual conflict of interest, in accordance with GIA's Practice Guideline on Consulting Services.

The Group Head of Internal Audit is accountable to the BAC, through a functional reporting line to the Chairperson of the BAC, on the audit programme, its status, and the condition of the control environment. This reporting relationship which also includes audit plans, financial budgets and staffing considerations is designed to ensure the ongoing independence of GIA in order to provide for the objectivity of its findings, recommendations and opinions. The Chairperson of the BAC will, at least annually, approve the performance objectives, provide performance feedback and approve performance rating regarding performance of the Group Head of Internal Audit. The objectives and performance appraisal process would also generally consider the views of the Group Chief Executive and President and other senior management. The respective local Audit Committees, the Group Head of Internal Audit and/or the nominated directors will consider the independence and objectivity of the local Heads of Internal Audit when performing their appraisals of the local Heads of Internal Audit.

The Group Head of Internal Audit will confirm to the BAC, at least annually, the organisational independence of GIA. If the Group Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the BAC and the appropriate parties.

7. Relationships with Other Parties

GIA will consider the work of other assurance providers and stakeholders within and outside of the AIA Group such as the first and second line of defence, the external auditors, regulators, and reinsurers when determining the level of GIA activity in any business area.

Through the exercise of informed judgement, GIA is responsible for determining the extent to which reliance can be placed on the work of other assurance providers following a thorough evaluation of the effectiveness of that assurance provider in relation to the area under review. GIA remains responsible for providing independent assurance over the Group's risk management, internal controls and governance processes.

GIA will work closely with the external auditors and, where possible, align annual plans to eliminate duplication of audit effort. GIA will effectively interact and collaborate with the external auditors in order to coordinate audit engagements and subsequent recommendations to the improvement of the Group's risk management, internal controls and governance processes.

8. Communications, Reporting and Monitoring

GIA staff communicate with management in the area under review throughout the engagement. In most instances a written report will be prepared and issued following the conclusion of each assurance engagement and will be distributed as appropriate. GIA will seek management's acknowledgement of the final report. Any disagreements with management are explained in the report.

Details of key audit results and any exceptions identified, together with an analysis of themes and trends emerging from GIA work and their impact on the Group's control environment, are reported to the BAC, and the relevant local Audit Committees. GIA also provide reports to other Board committees and Executive committees as appropriate.

GIA is responsible for actively monitoring and tracking the status of management's agreed action plans resulting from reports from GIA and verifying the implementation of management's agreed action plans. GIA will report to senior management, the BAC and the relevant local Audit Committees any management action not effectively implemented.

9. Data and Technology

The Group Head of Internal Audit will ensure that the internal audit function has appropriate technology to support the internal audit process and will regularly evaluate the use of technology and pursue opportunities to improve GIA's efficiency and effectiveness. GIA prioritises a data-driven approach where data sources are available, relevant and reliable. When introducing new technology, the Group Head of Internal Audit will implement appropriate training for internal auditors in its effective use and will collaborate with the Group's information technology and information security functions to implement technological resources in line with the AIA Group's strategy and policy framework.

10. Standards of Audit Practice

GIA will adhere to the mandatory elements of the International Professional Practices Framework issued by the Institute of Internal Auditors (IIA), and other relevant regulatory requirements.

GIA will conduct itself in accordance with the policies and procedures as set out in the GIA Manual, and will carry out its audit work in accordance with the GIA Methodology. The GIA Manual and Methodology are regularly updated to ensure they are in accordance with current procedures, standards and good practice. In the unlikely event of a temporary conflict between the International Professional

Practices Framework and the GIA Manual and Methodology, the former shall prevail. Where GIA uses external resources, such resources will be required to comply with the GIA Charter and other applicable policies and procedures.

11. Quality Assurance and Improvement Programme

The Group Head of Internal Audit will periodically assess, and report to the BAC at least annually, on the conformance with the mandatory elements of the International Professional Practices Framework, continued effectiveness of GIA's activities, and adequacy of its independence, objectivity, authority, responsibility, resources and technical experience in order to enable it to accomplish its mission and identify opportunities for improvement.

GIA is required to have an External Quality Assurance Review of its compliance with and adherence to the mandatory elements of the International Professional Practices Framework at least once every five years by a qualified, independent assessor or assessment team from outside the AIA Group.

The BAC will independently assess the effectiveness of GIA, to ensure that GIA maintains conformance with the standards of audit practice as defined by the BAC, is adequately resourced, free from constraint and has the appropriate standing within the AIA Group.