



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”. 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, mission, scope and responsibilities of GIA, including arrangements for ensuring GIA’s independence and objectivity.

This Charter is owned by the Group Head of Internal Audit and is approved by the Board Audit Committee (“BAC”). 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.

2. Group Internal Audit’s mission

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 and objective 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 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.
- 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. Scope and responsibility

Within AIA’s governance framework, GIA operates as the third line of defence. The scope of GIA’s activities 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. The scope includes:

- An independent assessment of risks and the design, implementation and operational effectiveness of key policies, procedures and internal controls to mitigate the risks identified. This includes those in place to ensure appropriate levels of adherence to applicable laws, regulations, rules, guidance notes, guidelines and codes issued by the relevant regulators; and applicable standards and codes issued by the industry bodies.
- An evaluation of the design, implementation and 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 Group has clearly set out proper policies and procedures regarding servicing of customers, including in particular disclosure of policy benefits, risks and

responsibilities, pricing of insurance policies, handling of customers' complaints and settling of insurance claims.

- An assessment of the risk and control culture of the Group.
- 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.
- 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.
- An assessment of the reliability, integrity and completeness of accounting, financial, management, information technology systems and risk reporting information.
- 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.
- A determination 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.
- Making objective and appropriate recommendations to improve the overall effectiveness of the systems of risk management, internal controls and governance processes across the Group and assisting executive management to improve the effectiveness of these processes and achieve their strategies.
- 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.
- Investigating and reporting on cases of suspected fraud and malpractice pursuant to the Group Anti-Fraud Framework.
- 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.

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 organisation hierarchy using a risk-based, top-down and bottom-up approach. The proposed local audit plan and the GIA Audit Plan are dynamic and are re-assessed quarterly 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 ad hoc requests from Group and local management, the BAC and local Audit Committees, and regulators.

GIA is responsible for performing these activities efficiently and effectively but it is not responsible for setting the Group's risk appetite or for the effectiveness of the framework of internal controls.

4. 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 an organisation'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 provide a summary report to the Board of Directors, as appropriate. 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 Chief Executive Officer and other senior management. For administrative purposes, the Group Head of Internal Audit is a report to the Group Chief Risk Officer ("CRO").

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

5. Authority

The Group Head of Internal Audit is authorised by the BAC to review all areas of the AIA Group, and have complete and unrestricted access, on request, to any of the Group's records, properties and personnel. The Group Head of Internal Audit is also authorised to designate members of GIA staff to have such access in the discharging of their responsibilities. All employees are requested to assist GIA in fulfilling its roles and responsibilities.

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 reported to the BAC, and to make such reports 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.

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

6. Reporting and Monitoring

In most instances a written report will be prepared and issued following the conclusion of each assurance engagement and will be distributed as appropriate. 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 on a timely and regular basis.

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. Management is responsible for informing GIA about any agreed action plans from reports from external auditors, regulators, or other sources. GIA will report to senior management, the BAC and the relevant local Audit Committees any management action not effectively implemented.

7. Relationships with other parties

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

Through the exercise of informed judgement, the Group Head of Internal Audit, Regional Directors and country and specialist team heads are 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. Standards for the professional practice of internal auditing

GIA will govern itself by adherence to the mandatory elements of the International Professional Practices Framework issued by the Institute of Internal Auditors (“IIA”), as set out in the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (the “Standards”), and the Definition of Internal Auditing, 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 as and when the Standards are updated. In the unlikely event of a temporary conflict between the Standards and the GIA Manual and Methodology, the former shall prevail. Where GIA uses external resources, either to alleviate temporary resource constraints or to provide access to particular specialisms, such resources will be required to comply with the GIA Charter and other applicable policies and procedures.

9. Quality assurance

The Group Head of Internal Audit will periodically assess, and report to the BAC at least annually, on the conformance with the IIA Code of Ethics and the Standards, 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 IIA Code of Ethics and the Standards 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.