

Liverpool Victoria Financial Services Limited (LVFS) Internal Audit Charter

1. Introduction

This Charter formally defines Internal Audit (IA)'s purpose, authority, and responsibility. It is reviewed annually and approved by the LVFS Audit Committee, on behalf of the LVFS Board. The Audit Committee establishes, approves, and supports the mandate of the Internal Audit (IA) function. The Chief Audit Officer (CAO) owns this Charter. The Audit Committee Chairman and the LVFS Chief Executive Officer (CEO) co-sponsor this Charter, which is publicly available on the LV.com website.

2. Purpose

IA's role is:

- | to provide independent and objective assurance to the Audit Committee and Executive Team on the effectiveness of systems of risk management and internal controls across LVFS and its subsidiaries, in order to mitigate key business risks and to assess the sustainability of the organisation;
- | to assist the Audit Committee in meeting its statutory and regulatory reporting responsibilities and in meeting corporate governance best practice; and
- | to provide best practice recommendations to LVFS Executive and senior management on governance, risk management, and controls.

IA activity does not relieve line management of its responsibility for maintaining an effective controls framework across LVFS. IA carries out its responsibilities by conducting independent assurance work, and reporting its observations to:

- | the Audit Committee;
- | the LVFS CEO and the Executive Team; and
- | line management with the accountability and capability for ensuring that appropriate action is taken.

3. Internal Audit Mandate & Services Provided

The Audit Committee grants IA the mandate to provide the Board (via the Audit Committee) and senior management with objective assurance, advice, insight, and foresight. The IA function's authority is created by its direct reporting relationship to the Audit Committee and unrestricted access to all Board members. The IA function carries out this mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organisation.

To provide this assurance IA determines, using a risk-based approach:

- | whether the assets, reputation, viability, and sustainability of LVFS are being safeguarded;
- | whether controls are in place and working effectively in accordance with LVFS policies and procedures, as well as applicable laws and regulations; and
- | whether LVFS records and reports are accurate and reliable.



The remit of IA's activities includes a consideration of all legal entities, subsidiaries, partnerships, outsourcing and reinsurance arrangements, in assessing:

- | the design and operational effectiveness of the LVFS governance structures, controls, and processes;
- | the strategy, values, culture, and ethics operating at all levels within LVFS;
- | key corporate events including significant business process change, introduction of new products and services, outsourcing decisions, company acquisitions, and divestments;
- | LVFS' setting of, and adherence to, risk appetite;
- | the adequacy and effectiveness of the Risk Management, Compliance and Finance functions;
- | the design and control of products, services and supporting processes to deliver fair outcomes for customers in line with conduct regulation;
- | information presented to the Board and Board committees for strategic and operational decision making; and
- | capital, liquidity, and other prudential regulatory risks.

IA is able to provide advisory services if required by the Audit Committee/Senior Management, subject to safeguarding its independence and mandate. These may include: (i) giving a formal assessment of the design/implementation of new policies, processes, systems, or products; or (ii) providing forensic services. When undertaking such services, IA will maintain its objectivity and will not take on management responsibility.

The Audit Committee authorises the IA function to:

- | have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit responsibilities. IA team members are accountable for confidentiality and safeguarding records and information.
- | allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- | obtain assistance from the necessary personnel of LV= and other specialised services from within or outside LV= to complete internal audit services.

In accordance with the Global Internal Audit Standards (GIAS) published by the Institute of Internal Auditors (IIA) in January 2024 and guidelines from The Chartered Institute of Internal Auditors, such as the Internal Audit Code of Practice, IA 'exercises informed judgement as to what extent it is appropriate to take account of relevant work undertaken by others, such as Risk Management, Compliance or Finance in either its risk assessment or determination of the level of audit testing of the activities under review. Any judgement that results in less intense Internal Audit scrutiny will only be made after an evaluation of the effectiveness of that function in relation to the area under review.'

IA will specifically highlight to the Audit Committee as part of the annual planning process any gaps (of areas which are not classified as low inherent risk) where there has been no audit coverage over the last five years. In the event of any 'significant' events, IA may evaluate management's analysis of an 'adverse event' (e.g., fraud or a significant loss).

The CAO reports regularly to the Audit Committee on IA's performance against its annual Audit Plan which is also approved by the Audit Committee. The CAO will disclose to the Audit Committee any issues experienced in IA's execution of its remit and highlight any risk

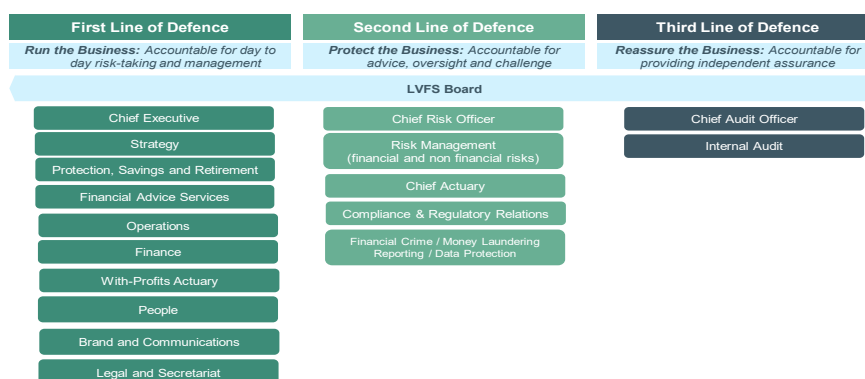


themes arising from audit activities. An update is also provided regularly on the completion of agreed actions by LVFS Management, to address observations previously reported by IA.

LVFS operates within the 'Three Lines' model, as defined by the Chartered IIA, whereby the business, as the 'First Line,' is responsible for identifying, managing, and reporting on risks and ensuring they are effectively controlled. The 'Second Line,' comprising the Risk Management and Compliance teams, has responsibility for defining the Risk Management Framework and overseeing the business' adherence to its requirements. The role of IA as the 'Third Line' is to provide independent assurance on the effectiveness of both the First and Second Lines.

The following model, provided by Second Line Risk, illustrates the relationship between each Line and relative roles and responsibilities.

The 'High Level' Risk Mandate in the context of the 3LOD model



4. Board Oversight (via the Audit Committee)

The Board will provide oversight via the Audit Committee to establish, maintain, and ensure that LV's IA function has sufficient authority to fulfil its duties.

The Audit Committee will:

- | Discuss with the CAO and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the IA function.
- | Ensure the CAO has unrestricted access to and communicates and interacts directly with the Audit Committee, including in private meetings without senior management present
- | Discuss with the CAO and senior management other topics to include in the IA charter.
- | Participate in discussions with the CAO and senior management about the "essential conditions" described in the GIAS, which outline the basis for an effective IA function.

These include:

- o Review and approve the IA charter annually with the CAO, including the IA mandate, scope, and types of IA services, and considering changes affecting LV=, such as the employment of a new CAO or changes in the type, severity, and interdependencies of risks to the organisation.



- Approve the risk-based Internal Audit plan and the setting of plan priorities.
- Approve the Internal Audit function's human resources administration and budgets.
- Receive communications from the CAO about the IA function including its performance relative to its plan.
- Ensure a quality assurance and improvement program (QAIP) has been established and review the results annually.
- Make appropriate inquiries of senior management and the CAO to determine whether scope or resource limitations are inappropriate.
- Monitor, assess and conclude upon the independence and effectiveness of the IA function each year.
- Considers all significant observations escalated to it by IA and assesses the adequacy of management's response to these observations.

The Audit Committee will hold private session(s) to do the following:

- | Provide input to the CEO to support the performance evaluation and remuneration of the CAO.
- | Authorise the appointment and removal of the CAO and where the CAO's tenure exceeds seven years the Audit Committee will explicitly discuss and consider his/her continued independence and objectivity.
- | Determine the qualifications and competencies the organisation expects in a CAO, as described in the GIAS.

5. Chief Audit Officer Roles and Responsibilities

Ethics and Professionalism

The CAO will ensure that internal auditors:

- | Conform with the GIAS, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- | Understand, respect, meet, and contribute to LVFS' legitimate and ethical expectations and be able to recognise conduct that is contrary to those expectations.
- | Encourage and promote an ethics-based culture in the organisation.
- | Report organisational behaviour that is inconsistent with LVFS' ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAO will ensure that the IA function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAO determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgement on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review, e.g., they will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgement, including:



- | Assessing specific operations for which they had responsibility in the previous year.
- | Performing operational duties for LV= or its affiliates.
- | Initiating or approving transactions external to the IA function.
- | Directing the activities of any LV= employee not employed in the IA function, except to the extent that such employees have been appropriately assigned to IA teams or to assist internal auditors.

Internal auditors will:

- | Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties at least annually, such as the CAO, Audit Committee, management, or others.
- | Exhibit professional objectivity in gathering, evaluating, and communicating information.
- | Make balanced assessments of all available and relevant facts and circumstances.
- | Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The CAO has the responsibility to:

- | At least annually, develop a risk-based internal audit plan that considers the input of the Audit Committee and senior management. Discuss the plan with the Audit Committee and senior management and submit the plan to the Audit Committee for review and approval.
- | Communicate to the Audit Committee and senior management any impact of resource limitations on the audit plan.
- | Review and adjust the audit plan, as necessary, in response to changes in LV's business, risks, operations, programs, systems, and controls.
- | Communicate with the Audit Committee and senior management if there are significant interim changes to the audit plan.
- | Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS.
- | Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of IA services to the Audit Committee and senior management annually and for each engagement as appropriate.
- | Ensure the IA function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the GIAS requirements and fulfil the IA mandate.
- | Identify and consider trends and emerging issues that could impact LV= and communicate to the Audit Committee and senior management as appropriate.
- | Consider emerging trends and successful practices in internal auditing.
- | Establish and ensure adherence to methodologies designed to guide the IA function.
- | Ensure adherence to LV's relevant policies and procedures unless such policies and procedures conflict with the IA charter or the GIAS. Any such conflicts will be resolved or documented and communicated to the Audit Committee and senior management.
- | Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAO cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit Committee.
- | Identify, implement, and maintain appropriate tools and technology to support audit delivery.



Communication with the Audit Committee and Senior Management

The CAO will report annually to the Audit Committee and senior management regarding:

- | The IA function's mandate and whether this Charter is appropriate and aligns with IA's objectives.
- | The internal audit plan and performance relative to its plan, the internal audit budget and any significant proposed revisions to the internal audit plan or budget.
- | Potential impairments to independence, including relevant disclosures as applicable.
- | Results from the QAIP, which include IA's conformance with the GIAS and action plans to address IA's deficiencies and opportunities for improvement.
- | Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board.
- | Results of assurance and advisory services.
- | Resource requirements.
- | Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond LV's risk appetite.

Quality Assurance and Improvement Programme (QAIP)

The CAO will develop, implement, and maintain a QAIP that covers all aspects of the IA function. The programme will include external and internal assessments of the IA function's conformance with the GIAS, as well as performance measurement to assess the IA function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the IA function's deficiencies and opportunities for improvement.

QA reviews are performed by:

- | IA team members who are both independent of the audits being assessed, and who have sufficient experience to meaningfully challenge the results of assurance activity; and
- | LVFS' appropriately experienced co-sourced professional services partners, who provide an external, fully independent, check of IA's audit quality.

Annually, the CAO will communicate with the Audit Committee and senior management about the IA function's QAIP, including the results of internal assessments (ongoing review and periodic self-assessments) and external assessments. External assessments will be conducted at least every five years by a qualified assessor or assessment team independent from LV=. At least one assessor must hold an active Certified Internal Auditor credential.

6. Independence & Authority

IA reports independently to the Audit Committee on its work. The CAO has a dual reporting line to the Audit Committee Chair and operationally to the LVFS CEO. The reporting line to the CEO is administrative only to maintain the appropriate level of independence. The CAO is a member of the Executive Team but has no voting rights on Executive Team decisions. The Audit Committee Chair, with the support of the CEO, agrees the performance objectives of the CAO, and approves IA resources and budgets. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee when necessary and without interference and



supports IA's ability to maintain objectivity. The CAO confirms to the Audit Committee, at least annually, IA's organisational independence.

IA takes authority from the Audit Committee through the Committee's approval of IA's Charter and its annual risk-based audit plan. In order to carry out its mission effectively, IA will have unrestricted access to LVFS's records, including Board level information, personnel, and premises to the degree necessary and relevant to discharge its duties.

IA adopts a consultative approach with management, whilst maintaining an independent authority in determining the appropriate timing and scope of internal audits, related work, and communication of results. IA discloses, records, and manages any conflicts of interest that may influence objectivity or independence. IA team members are at all times objective, constructive and not influenced by personal, business, or other issues, which might impair impartiality.

IA has no direct operational responsibility or authority over any of the activities it reviews, nor performs any operational duties for the organisation other than IA's assurance work. Occasionally, IA may provide advice to the LVFS business on matters of governance, risk, and control in order to promote best practice. Where necessary, this advice is captured in IA's record of potential conflict of interests. Any subsequent audit work relating to this advice is performed by IA team members who were not involved in providing this advice.

7. Audit Planning and Resources

The CAO is responsible for determining IA's strategy and the work programme that underpins the Audit Plan, such that LVFS Executive management and the Board (via the Audit Committee) receive an appropriate level of independent assurance across LVFS. The scope of IA's assurance activity is determined by assessing the LVFS business priorities and key risks, including how well these risks are being managed. The current and evolving regulatory landscape and macro-economic environment are also considered.

IA produces an annual risk-based Audit Plan before the start of each year. This plan is refreshed during the year if required, based on information gathered from regular engagement with key LVFS stakeholders, and taking into consideration regulatory requirements, risk assessments, recency of coverage of auditable areas and topics within LVFS' audit universe, and the work of external audit. IA annually reviews all audit universe areas and topics it has rated as being of low inherent risk and confirms that where these areas have not been audited in the previous five years, this is appropriate from a business risk perspective. The CAO will discuss the draft Plan with senior management and the Audit Committee and the CAO will seek approval from the latter. The adequacy and availability of IA's budget for skills and resource to undertake the Plan will also be discussed and approved by the Audit Committee.

Any changes to the approved Audit Plan are taken through appropriate governance at the Audit Committee for discussion and approval.

8. Professional Standards and Disclosure



The IA function adheres to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the GIAS and related Topical Requirements. The CAO will report annually to the Audit Committee and senior management regarding IA's conformance with the GIAS, which will be assessed through the QAIP. Any instances of non-conformance will be highlighted.

IA's audit methodology and related guidance is designed to meet the requirements of the Financial Conduct Authority, Prudential Regulation Authority, and other relevant regulatory and professional bodies.

IA's leadership supports the continuous professional development of IA team members to ensure that they possess the necessary competencies to perform their responsibilities, and to ensure that skills and knowledge are maintained to a high standard. Accordingly, IA leadership supports its team members in attaining and maintaining their professional qualifications where appropriate.

All IA reports produced are for internal purposes only but LVFS' external auditors and regulators have the right to request access to these reports to discharge their obligations.

9. Relationship with External Audit

IA liaises regularly with LVFS' external auditors as required, to enable the external auditors to optimise their reliance on IA's work and to discuss issues emerging from their respective work.

10. Review of Expenses

The CEO reviews and approves the CAO's business expenses.

11. Review of Charter

The CAO annually assesses whether this Charter is appropriate and in alignment with IA's objectives. Results of this assessment are communicated to the Audit Committee for approval at least annually.

Changes to IA's mandate or other aspects of the IA Charter may be prompted by changing circumstances, and will require discussion between the CAO, Audit Committee, and senior management and Audit Committee approval to make these changes to the Charter. Such circumstances may include but are not limited to:

- | A significant change in the GIAS.
- | A significant acquisition or reorganisation within the organisation.
- | Significant changes in the CAO, Board, and/or senior management.
- | Significant changes to the organisation's strategies, objectives, risk profile, or the environment in which the organisation operates.
- | New laws or regulations that may affect the nature and/or scope of IA services.

