

# Internal Audit Charter

Date: September 30, 2023

Owner: Global Chief Audit Executive

# Mission and Vision of Internal Audit

## Our mission is to:

Help management achieve their strategic objectives by bringing a systematic, risk-based approach to evaluating and improving corporate governance, risk management, and internal controls. Internal Audit develops talent with expertise in risk and control, which is deployed for the benefit of Aegon's employees, shareholders, and customers.

With humans living longer, Aegon is leading the world into longevity through its purpose of *helping people live their best lives*. The independent perspective that Internal Audit brings is critical in holding functions to account and helps Aegon internally adhere to its purpose.

Linking to Aegon's purpose, the purpose of Internal Audit is to give independent assurance on whether our systems and processes enable Aegon to deliver on its purpose of *helping people live their best lives*.

## Our vision is to:

Align audit coverage to strategic business objectives with thematic reporting resonating, informing, or initiating debate and driving action.

Internal Audit operates as one integrated global team, where skills are shared across Business Units (BUs), methodology is consistent, and all BU audit teams are held to account for the same standard through global quality assurance.

## 1. Purpose of the Charter

The purpose of this Charter is to define the nature, role, responsibilities, status, and authority of the Internal Audit Function ("Internal Audit") within Aegon Group, including BU versus Corporate Center ('CC') responsibilities. The charter is in line with Aegon's functional governance principles.

The objective of interactions between CC and BUs is to create accountability within the framework. Business empowerment takes place within a clearly defined Group Internal Audit framework, which is owned and created by CC in close consultation with the BUs.

## 2. Ownership, Maintenance and Authorization of the Charter

The owner of this Charter is the Global Head of Internal Audit (referred to as Global Chief Audit Executive or Global CAE). This Charter will be reviewed annually by the Global CAE and updated as required. The Audit Committee of the Board of Directors of Aegon Ltd. (AC of Aegon) approved the Charter on December 7, 2022. Any change to this Charter will require approval from the AC of Aegon.

This Charter refers to BU Audit Committee ('BU AC') as the governance body which oversees the work and performance of Internal Audit in the BUs. In some BUs, a different Committee or the Board fulfills this role. Throughout this Charter, the term BU AC is used to refer to the independent governance body responsible for overseeing Internal Audit at the BU level.

All BUs will adopt this Charter. BUs will deviate only from it if local legislation or professional guidance requires additional requirements or specific deviations. In this case, local requirements or deviations will be documented in an addendum to this Charter which will be approved by the BU AC.

### **3. Objective of Internal Audit**

Aegon's Internal Audit Function assists management in protecting Aegon's assets, reputation, and sustainability by independently and objectively evaluating the design, implementation, and effectiveness of internal controls, risk management, and governance processes.

The purpose of Internal Audit is to systematically evaluate the Aegon control environment. The activities of Internal Audit consist of, but are not limited to, assessing the combined effectiveness of governance, organization, policies, procedures, and systems. Examples may include strategy, culture, finance, performance, compliance, system security, and due diligence engagements.

Internal Audit may provide consulting services where the nature and scope of the services are agreed with the service requestor. These should fit the nature of Internal Audit and not interfere or conflict with the independence and objectivity of Internal Audit. The consulting services intend to add value and improve Aegon's governance, risk management, and control processes without assuming any management responsibility by the internal auditors.

Examples include counseling, advice, facilitation, and training. In order to act upon Aegon's purpose, the services provided by Internal Audit need to be aligned with Aegon's strategy and business objectives.

Opportunities to strengthen the existing management control environment, effectiveness and Aegon's reputation may be identified during all of its activities.

### **4. Role of Management and Authority of Internal Audit**

#### **Role of Management**

Management is responsible for the design, implementation and operation of a governance and control framework which supports the achievement of strategic business objectives. As part of that, management must support the establishment and operation of Internal Audit that meets the requirements as set out in this Charter.

#### **Authority**

Internal Audit derives its authority from the Group and BU Boards and is authorized to examine the internal controls, risk management, and governance processes in all areas of Aegon.

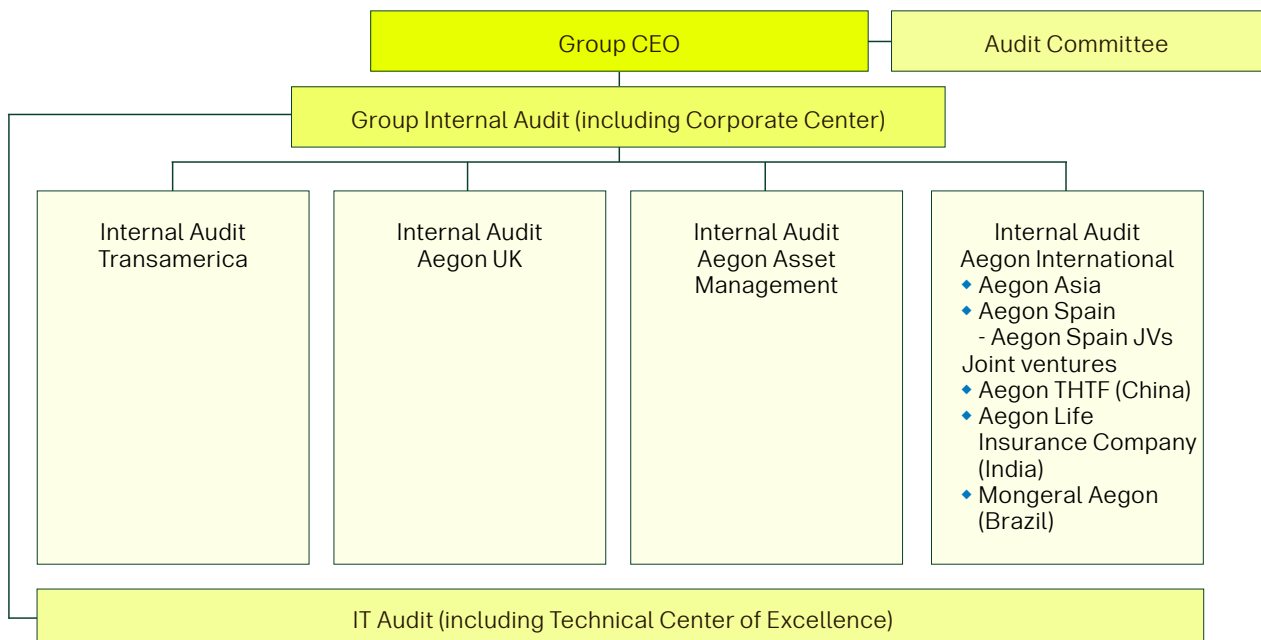
Internal Audit is authorized to have full, free, and unrestricted access to all Aegon records, functions, physical properties, and personnel, including where appropriate outsourced operations, within a reasonable period of time of making the request. Any limitation in the scope of Internal Audit as a function needs to be disclosed to – and discussed with – the relevant ACs. Local laws and regulations will apply regarding the attainment of any records required.

## 5. Scope of Internal Audit

### Structure

Internal Audit covers, on a risk assessed basis, the activities and operations within Aegon.

To create coverage over the BUs and activities of Aegon, Internal Audit is organized as follows:



Internal Audit is structured to position teams within the BUs, with local market knowledge. There are global teams in the case of Aegon Asset Management (AAM) and Global Technology Services. All AAM auditors are part of a dedicated global AAM Internal Audit team while for Global IT Audit some auditors are present in certain BU Internal Audit teams.

## 6. Reporting

### Group

The Global CAE reports to the Aegon Group Chief Executive Officer and the AC of Aegon.

### Operational Unit/Business Unit

To ensure the independence of the auditors and effective governance, the BUs' CAEs have two reporting lines, to the Global CAE and the BU CEO. Furthermore, the BU CAE has direct and unfettered access to the BU AC. For an overview regarding the content of the reporting line between the Global CAE and the BUs' CAEs, reference is made to paragraph 8 of this charter.

For BUs with presence in multiple countries, the country unit audit leader will have reporting lines to the BU CAE and the country unit CEO.

## **Escalation**

To ensure the appropriate influence, authority, independent position, and direct access to the appropriate parts of the organization, Internal Audit can escalate along the following lines:

The Global CAE has a reporting line to the Chair of the AC of Aegon. In addition, the Global CAE will be present in Board of Directors meetings when significant Internal Audit matters are discussed. Members of the Board of Directors have direct access to the Global CAE as needed to fulfill their responsibilities.

BUs' CAEs have an escalation path to the Chairs of the BU ACs.

## **7. Governance**

The risk governance structure of Aegon is documented in the Global Risk Management Charter. An important element is the establishment of Aegon's risk tolerance at the Group level and managing the actual risk profile in line with Aegon's risk tolerance.

### **Three Lines model – Position of Internal Audit**

Aegon's approach to risk management will follow the enterprise-wide principle of three lines – 1) risk ownership, 2) risk management and compliance, and 3) independent assurance.

The first line is the business consists primarily of the risk owners. The second line facilitates risk management by developing, maintaining, and overseeing compliance with group-wide risk governance, risk tolerances, risk policies, and risk methodology, which are applicable to all businesses for which Aegon has operational control. The third line, Internal Audit, provides independent assurance opinions on the adequacy and effectiveness of the systems of internal control, risk management and governance.

Based on the assurance opinions, Internal Audit recommends improvements which are agreed with management and pursues corrective actions on identified issues until implementation.

### **Positioning of Internal Audit in the Organization**

Internal Audit is independent of senior management, which has responsibility for the first and second lines. Internal Audit is not responsible for any management decisions or activities. This positioning enables Internal Audit to provide independent assurance opinions on the effectiveness of the systems of internal control, risk management, and governance.

The independence of Internal Audit is also embedded through the authority to appoint or dismiss the Global CAE. As defined in the Board Regulations, the Board of Directors appoints and dismisses the Global CAE. Such decisions will be based on the recommendation issued by the AC of Aegon.

Internal Audit must not participate in any activity or relationship that has the potential to impair its objectivity and must avoid conflicts of interest. Where such a conflict occurs, Internal Audit must report this to the AC of Aegon. Specifically, internal audit staff recruited from the business must not audit an area for which they were previously responsible until a period of at least 12 months has passed.

## **Committees**

The Global and BUs' CAEs shall meet periodically with their respective ACs to report activities since the previous meeting including significant audit findings, future activities relating to regular audits and special projects, acts of fraud, theft or misconduct, and other matters believed to be of sufficient magnitude and importance. Additionally, the Global and BU CAEs meet privately with the AC, as part of the periodical Internal Audit update provided to their respective AC. If deemed necessary, BU CAEs are also entitled to request their respective Chairs of the ACs to convene a meeting of the AC.

Internal Audit is authorized to communicate directly in confidence to the AC of Aegon, BU ACs, and key members of management at Group and BU level, including but not limited to the CEO, Chief Financial Officer, Chief Risk Officer, General Counsel, and Compliance Officer. However, findings will normally be reviewed and discussed with appropriate Aegon management before being taken to Aegon senior management and the AC of the BUs or Aegon.

## **8. Responsibilities of Internal Audit**

### **General Overview**

To realize the objective of the function, Internal Audit supports the Group CEO, the Executive Committee (ExCo), the Board of Directors, and BU Acs to evaluate and improve the control environment. Internal Audit holds the business to account in implementing actions to improve the control environment and independently evaluates the effectiveness of controls, risk management, and governance. This includes the following responsibilities at Group and BU levels:

- Prepare and execute a risk-based audit plan which is discussed and approved by the ExCo, BUs' Acs and the AC of Aegon..
- Execute audits on the functioning of the first and second lines.
- Identify, and agree with management, opportunities to improve internal controls, risk management, and governance processes and verify that such improvements are implemented within a reasonable period of time. Ensure that these are brought to the attention of the AC of Aegon, as appropriate.
- Provide a global perspective on thematic topics across Group and BU level by performing end-to-end audits.
- Assist in the investigation of significant suspected fraudulent activities within Aegon or conduct special reviews or consulting which may not usually be included in the scope of Internal Audit and notify the AC of Aegon of the results of these activities.
- Issue periodic reports to respective management and the AC of Aegon, summarizing the progress and results of the annual audit plan, as well as on the sufficiency of Internal Audit resources.
- Provide periodic reporting on issue and action tracking based on consistent Management Information.
- Ensure the AC of Aegon is kept informed of emerging trends and successful practices in internal auditing.
- Consider the scope of work of the external auditors, regulators, and compliance and risk management teams, as appropriate, for the purpose of providing optimal audit coverage to the organization at a reasonable overall cost.

- Coordinate and work together with other control and monitoring functions (e.g. Risk Management, Compliance, and external auditors).
- On Group level promptly report any major problem or incident which could significantly impact the risk profile or financial position of Aegon to the Group CEO and the AC of Aegon.

## **Organization and People**

In order to meet the objectives of the function, the Global CAE will have the following responsibilities relating to resourcing, adequate staffing, skillset, and operation of the function:

- Establishment of any new Internal Audit Department across Aegon, including Joint Venture audit teams. The teams should have appropriate professional skills and knowledge to effectively execute their tasks.
- The development, maintenance, and coordination of the overall Group Internal Audit talent management and succession plan.
- Maintaining consistency in the Global Internal Audit methodology and practices utilized.
- Appointment of the BUs' CAE requires Global CAE approval. Appointments are made in co-operation with the BU CEO and the BU AC Chair.
- Removal of a BU CAE requires the consent of the Global CAE. BU CEOs cannot unilaterally remove a BU CAE. The BU AC Chair will also be involved as is required by BU governance.

## **Reporting by BU Internal Audit Departments**

The following activities, while not exhaustive, outline the involvement or approval of the Global CAE in the BU Internal Audit Departments:

- Annual objective setting and performance assessments of BUs' CAEs including corresponding remuneration and bonuses.
- Report on the outcome of the annual budget process as well as periodic reporting on the usage of the budget.
- Audit department risk assessment and progress on the (semi-)annual audit plan.
- Timely review of any significant changes to the audit plan that impact the delivery against the original commitments (e.g. unplanned management requests added, deferrals of audit projects, etc.).
- Promptly report any major problem or incident within the BU or the audit team which could significantly impact the risk profile or financial position.
- Sharing of knowledge in Subject Matter Expert areas in order to achieve benefits of scale or make more effective use of expertise.
- Provide a skills and competencies overview of BU team members and identify and communicate any potential resource gaps. Minimum requirements are set for on-boarding and continuing development of staff.
- Any significant staffing or structural audit changes including but not limited to changes in budgeted headcount and decisions regarding material outsourcing and offshoring of audit activities. Outsourcing of Internal Audit activities could alleviate temporary resourcing constraints. In case external resources will be engaged to a different scale or extent than anticipated in the audit plan, this will be approved by the Global CAE.



- Reporting on any significant deviation from the role or primary responsibilities as outlined in this Charter. New activities outside the responsibilities of this Charter, or those presenting a real or perceived threat to independence, must be considered by the Global and BUs' CAEs and reported to the Aegon and BU ACs.
- Maintain a Quality Assurance Improvement Program, and report on its progress.
- The activities listed above are not intended to be all inclusive and will be updated as new items need to be considered. To ensure the needs of the AC of Aegon are met, certain information will need to be provided in a consistent manner as established by the Global CAE. The Global CAE will also periodically participate in various BU AC meetings and need to receive advance copies of AC materials.

### **BU Internal Audit Departments - Responsibilities**

The BUs' CAEs have the following responsibilities relating to resourcing and adequate staffing and skillset of the BU Internal Audit department:

- Annual objectives setting and performance assessments of BU audit team members and corresponding remuneration, including bonuses.
- Appointment or removal of BU audit team members.
- Ensure adequate resourcing of BU audit teams to effectively execute their tasks.
- Promptly report any major problem or incident within the BU audit team to BU management and the AC.

### **Global IT Audit (GITA)**

IT audit activities are organized under the leadership of the Global IT Audit Director to optimize coverage, increase efficiency, and deploy skills where they are needed.

Within Global IT Audit, there is a Technical Center of Excellence (CoE) which consists of Subject Matter Experts with in-depth technical knowledge of new and existing technologies, cybersecurity, and cloud control. This Technical CoE is responsible for complex technology audits across all BUs including Aegon's infrastructure and IT services provider GTS.

Outside of the Technical Center of Excellence, IT Auditors are aligned to a BU audit team. They report ultimately to the BU CAE for BU alignment and administrative purposes and functionally to the Global IT Audit Director. To fulfill this role, the Global IT Audit Director is required to be engaged in core aspects of the BU operations. This specifically requires:

- The Global IT Director is responsible for strategic resourcing including involvement in the appointment and removal of IT Audit staff, sourcing, capability development, performance assessment, and training of the IT audit function. This is a joint responsibility where IT audit staff is located in a specific BU.
- The Global IT Audit Director is, together with the BU CAE, jointly responsible for developing the IT elements of each BU audit plan as well as the execution of IT audits and integrated audits at BUs.
- The Global IT Audit Director sets the competency framework and training curriculum for IT Audit staff.
- Certain distribution rules are applied to audit reports involving IT issues, which are set by the Global Internal Audit Methodology.



## **Data Analytics**

Data Analytics (DA) is the utilization of populations of data to obtain insight and foresight across the audit lifecycle to enhance audit efficiency, effectiveness, and testing coverage. The DA CoE oversees the development of DA and delivery of the DA Strategy within Internal Audit. The DA CoE is supported by a group of Data Champions who are responsible for delivering BU DA roadmaps, identifying opportunities, and delivering DA within their audit plan. The CoE will support Data Champions by acting as a central point of contact, coordinating DA training, and taking ownership of delivering more complex analytics on behalf of the BUs.

## **Engagement with Joint Ventures**

Aegon has investments in several Joint Ventures (JVs). The level of engagement from Aegon's Internal Audit function is dependent on the JV agreement, regulatory environment, and shareholder relationship. Engagement with JV audit teams includes:

- Oversight on the JV audit functions in the preparation and execution of the risk-based JV audit plan, including periodic reporting and follow-up on the audit results.
- Sharing best practices and providing support towards the JV audit functions with regards to methodology, tooling, and subject matter expertise.
- Performing Quality Assurance on the JV internal audit activities.
- Consultation in the appointment and removal of the JV CAE.
- Performing joint audits with JV audit teams.
- Performing shareholder audits within the JVs.

## **9. Key Performance Indicators**

Group Internal Audit has determined seven Key Performance Indicators (KPIs) along which the coverage, quality, and effectiveness of the work as well as staff knowledge and competencies are measured. Targets for these KPIs are determined at the beginning of the year, the progress is monitored during the year, and the realization is measured at the end of the year. The Global CAE as well as BU CAEs will be held accountable for achieving the targets of these KPIs. These seven KPIs are as follows:

- Audit Plan Completion
- Stakeholder experience survey
- Quality Assurance Outcome
- Issue Closure by Management
- Skills in Function
- Innovation and Data Analytics
- Coverage and efficiency
  - Internal Audit headcount compared to Company headcount
  - Internal Audit budget compared to Company expenses

## **10. Additional Notes**

### **Professional Practice**

Internal Audit executes its duties freely and objectively in accordance with the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics of the Institute of Internal Auditors, the Internal Auditors' International Standards (IIA Standards), the Guidance of the European Confederation of Institutes of Internal Auditing (for European BUs), the definition of Internal Auditing as well as with the Aegon Internal Audit Methodology and Manual. Internal Audit's Methodology and Manual also align with the local professional auditing standards and guidance.

### **Independence and Objectivity**

Internal Audit avoids any conflict of interest and does not execute any operational duties for Aegon and auditors will not review a business area or function in which they have had any management or operational responsibility in the last 12 months or are otherwise conflicted. When performing consulting services, Internal Audit maintains objectivity and must not assume management responsibility.

The Global and BUs' CAEs will confirm annually the organizational independence to their respective ACs. If the Global or BU's CAEs determine that independence or objectivity may be impaired, in fact or appearance, the details of impairment will be appropriately disclosed.

### **Confidentiality**

Internal Audit will maintain appropriate confidentiality while discharging its duties, knowing Internal Audit has access to highly sensitive data and information.

### **External Resources**

External resources, if engaged, should comply with the principles of this Charter and the Internal Audit policies applicable to Internal Audit at Aegon.

### **Quality Assurance**

Internal Audit maintains a quality assurance and improvement program that covers all aspects of its activities. The program includes an internal assessment of Internal Audit's conformance with the IIA Standards and the Aegon Internal Audit Methodology. The Global CAE and BU CAEs will report annually on the outcome of this internal assessment.

### **External Quality Assessment**

Group Internal Audit complies with IIA Standard 1312, which states an external assessment must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization.