LLOYD'S

Society of Lloyd's

Internal Audit Charter

Classification: Unclassified

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2 Document Control

2.1 Issue

This document (Internal Audit Charter and Operating Standards) is issued by the Society of Lloyd's Audit Director to whom any change requests or queries should be directed.

The master for this document shall be maintained / accessed electronically. Any copy-controlled printed copies shall be suitably identified. A printed copy that is not suitably identified is not copy-controlled and will not be automatically updated. It is therefore the responsibility of the reader to ensure that it is a currently valid copy.

2.2 Document Properties

(Note: All IMAP documents should have a URN, if not please consult with the Risk Management team.)

URN	IAP
File name	Internal Audit Charter and Operating Standards
Review frequency	Annually
Document tier	Tier 1
Document applicability	All documents within the Lloyd's Internal Model Documentation Inventory
Parent documentation	N/a
Underlying documentation	Internal Audit Manual
Internal distribution list	N/a
External distribution list	N/a

2.3 Review and Approvals

Role	Name	Job Title	Status	Date
Owner	Paul Ventris	Lloyd's Audit Director	Reviewed	27/02/2026
Approvers	Paul Ventris	Head of Internal Audit	Approved	27/02/2026
	Audit Committee		Approved	16/03/2026

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2.4 Version History

This document's controlled versions must be stored in the Lloyd's Solvency II SharePoint library. Any copies stored elsewhere or in print are uncontrolled and therefore are not valid. The following table lists all major versions:

Version	Review/Publication Date	Reviewer/Approver	Status	Nature of next review and events bringing about earlier review
V 1.0	March 2018	Chris Khan	Complete	January 2019
V 2.0	March 2019	Chris Khan	Complete	January 2020
V 3.0	March 2020	Ed Thomas	Complete	January 2021
V 4.0	March 2021	Ed Thomas	Complete	March 2022 March 2023
V 5.0	February 2024	Paul Ventris	Complete	March 2025
V 6.0	March 2025	Paul Ventris	Complete	March 2026
V 7.0	March 2026	Paul Ventris	Complete	March 2027

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3 Introduction

3.1 Document Purpose

To clearly define the scope, authority and responsibility of the Society of Lloyd's Internal Audit function.

This document sets out the basis for the Internal Audit Charter, which establishes the Purpose, Authority, and Responsibility of the Internal Audit Department.

This document is applicable to the Society of Lloyd's and its subsidiaries and branches.

The Lloyd's Audit Director (Head of Internal Audit for the Society of Lloyd's) has oversight of all audit activity covering all Lloyd's subsidiary companies. In this regard, all audit reports are summarised and presented to the Audit Committee.

3.2 Background and Regulatory Requirements

The Internal Audit Charter is a formal document that defines the Internal Audit department's purpose, authority and responsibility. This Internal Audit Charter establishes the Lloyd's Internal Audit department's position within the Society of Lloyd's, including the nature of the Lloyd's Audit Director's functional reporting relationship with the Society of Lloyd's Audit Committee; and authorises access to records, personnel, and physical properties relevant to the performance of engagements.

3.3 Intended Audience

The Charter is intended for the Society of Lloyd's Audit Committee, where final approval resides. In addition, the Charter can be made available to other key stakeholders to reinforce the positioning and authority of the Internal Audit function. This includes, but not limited to, Lloyd's management, regulators and any other interested parties.

3.4 Document Scope

The Scope covers all internal audit responsibilities for the Society of Lloyd's and its branches and subsidiaries.

3.5 Ownership, Compliance and Validation

The Lloyd's Audit Director is the owner of The Charter; however, the ultimate approval of The Charter resides with the Society of Lloyd's Audit Committee.

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4 Internal Audit Charter

4.1 Mission

Internal Audit's mission is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight to the Society of Lloyd's Audit Committee ("Audit Committee") and Society of Lloyd's Executive Team ("Exec Team") on the adequacy, effectiveness and sustainability of the system of internal control.

Internal Audit's purpose is to provide independent, objective assurance and consulting services designed to improve the organisation's operations and aims to enhance, protect and add to the organisational values by:

- Building strong and effective risk awareness and control consciousness within Lloyd's;
- Continuously improving risk management and control processes so they operate at optimum effectiveness and cost efficiency and reflect leading practice; and
- Sharing best practice with regard to risk management and assurance across Lloyd's.

Internal Audit will operate in conformance with the **Global Internal Audit Standards (2024)** and the **Chartered IIA Internal Audit Code of Practice (2024)**. Internal Audit's services include **risk-based assurance** and **advisory** engagements. Advisory work will not include management decision-making, will be subject to safeguards to maintain objectivity, and any non-conformance with the Standards will be disclosed in engagement reporting as required.

4.2 Independence and Authority

Internal Audit must be independent from management at all times in order to be effective in executing its work freely and objectively. As such:

- Individual auditors attest to conformance to the IIA Standards/ Code of Ethics and conflicts of interest;
- A process exists to manage the risk of auditors auditing areas for which they have previously held responsibilities for in the last 12 months;
- The Lloyd's Audit Director has a direct reporting line, with unlimited access, to the Chair of the Audit Committee and a secondary reporting line, for administrative purposes, to the Chief Executive Officer;
- The Audit Committee will approve the **Internal Audit Charter**, **mandate**, **risk-based plan**, **budget and resource plan**, **Internal Audit objectives and performance metrics**, and the **Quality Assurance & Improvement Programme (including EQA approach)**. The Lloyd's Audit Director will annually confirm organisational independence and disclose any impairments and safeguards. The Lloyd's Audit Director will periodically evaluate the **technology** used by Internal Audit, pursue opportunities to improve effectiveness and efficiency, and report any material limitations to management and the Audit Committee
- Internal Audit is authorised to review all areas of Lloyd's and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete their work including correspondence with regulators and Council, Franchise Board and other relevant Committees meeting minutes;
- Internal Audit is authorised to allocate resources, set frequencies, select areas, determine audit scopes and apply audit tools and techniques, and to obtain the necessary assistance and specialised services within or outside Lloyd's to accomplish its objectives;
- All Internal Audit reports will be reported to the Audit Committee. Significant reports will also be advised to the Chair of the Audit Committee on a timely basis;
- Internal Audit has the right to be informed by management, on a timely basis, of any significant control failures identified by management or the external auditor;

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- The Lloyd's Audit Director has the right to attend and observe all or part of the Executive Team meetings and any other key management decision making forums where they would have the appropriate standing, access and authority to challenge the Executives; and
- If the Lloyd's Audit Director has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence and objectivity.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the corporation or its affiliates.
- Initiating or approving transactions external to the internal audit department.
- Directing the activities of any Lloyd's employee not employed by the internal audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

The Lloyd's Audit Director will confirm to the Audit Committee, at least annually the organisational independence of Internal Audit.

4.3 Roles and Responsibilities

Internal Audit is an independent, objective assurance and consulting activity designed to add value, improve an organisation's operations and protect the reputation of the organisation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is the "third line of defence" in the risk governance structure, providing independent and objective risk-based assurance over the design and effectiveness of controls in place to manage the key risks impacting Lloyd's business performance, adding value and improving Lloyd's operations. Internal Audit has a key role in supporting the accomplishment of Lloyd's objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit is accountable for developing and delivering a programme of assurance aimed at validating the effective control of key business risks. Internal Audit is accountable for reporting its findings, conclusions, and recommendations to the audited parties, executive management and Audit Committee. Management is responsible for the effective identification of risk and the maintenance of adequate systems of controls. Internal Audit is responsible for ensuring that timely follow-up on management actions occurs. Management is responsible for corrective actions on reported weaknesses.

Management can request Internal Audit to perform audit reviews subject to these requests not affecting Internal Audit's independence and objectivity. The final decision for any changes to the Internal Audit plan rests with the Audit Committee.

Internal Audit will maintain a **coordinated assurance** approach, including an **assurance map** that identifies internal and external assurance over key risks, and will work with Risk, Compliance, Actuarial, and External Audit to reduce duplication and ensure coverage. Internal Audit will **communicate to the Audit Committee** any **high-risk areas not included** in the plan and the reasons.

An annual review of the adequacy of this Internal Audit Charter is performed by the Audit Committee.

4.3.1 Scope of Work

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The primary scope of Internal Audit's activities is the examination and evaluation of the adequacy and effectiveness of Lloyd's systems of risk management, internal control and governance processes for the Society of Lloyd's and its subsidiaries. In addition to this, Internal Audit's scope will include review of:

- Design and operating effectiveness of the internal governance structures and processes of the organisation;
- The setting of, and adherence to, risk appetite;
- An assessment of the adequacy and effectiveness of the organisation's Risk Management and Compliance functions;
- Compliance with policies, procedures, laws and regulations;
- Reliability and integrity of information;
- Means of safeguarding, verifying and accounting for assets;
- Economic and efficient use of resources; and
- The accomplishment of strategic objectives.

The scope includes emerging risks. Internal Audit will provide assurance and insight to support the Board's UK Corporate Governance Code 2024 Provision 29 statement on the effectiveness of material controls (financial, operational, reporting—including non-financial—and compliance) at the balance sheet date

4.3.2 Code of Ethics and Professional Standards

Internal Audit is expected to adhere to the *Global Internal Audit Standards* which sets out the standards and guidance for Internal Audit's work. These include the Core Principles for the Professional Practice of Internal Auditing, which, when taken as a whole, articulate Internal Audit effectiveness. Internal Audit should ensure that all of these Principles are present. The GIAS also includes the *Code of Ethics*, which Internal Audit management and staff are expected to comply with, along with demonstrating the Lloyd's values.

Internal Audit also adheres to the recommendations contained within the *Chartered Institute of Internal Auditors* (CIIA) guidance for *Effective Internal Audit in Financial Services* (the 'FS Code'). The Code, issued in 2013, was revised in September 2017.

4.3.3 Quality Assurance and Improvement Program (QAIP)

A thorough and well-defined QAIP process exists over all aspects of the internal audit activity. The programme will include an evaluation of the internal audit activity's conformance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

At least every five years, Internal Audit will be subject to an External Quality Assessment (EQA) from a qualified external assessor. Full External Quality Assessment (EQA) report will be provided directly to the Audit Committee, which will review and approve resulting action plans

4.3.4 External Audit

Internal Audit will liaise with External Audit to share information and ensure adequate coverage of risks. This should include:

- External Audit considering the work performed by Internal Audit to drive efficiency of approach;
- Consideration by Internal Audit of the control weaknesses identified by External Audit, both in individual internal audit planning and annual internal audit planning; and
- Provision of finalised Internal Audit reports.

4.4 Conflicts of interest

The Internal Audit function must refrain from possible conflicts of interests. In case a conflict of interest is identified, it needs to be reported to the Audit Committee as soon as possible and remedial action must be taken.

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4.5 Competence, integrity and discretion

The personal competence, integrity and discretion of each employee involved in the Internal Audit function (including co-source providers) are essential for its proper functioning.

Skills, motivation, and continuing professional development are also crucial in order to allow the Internal Audit function to operate efficiently.

The capabilities of each employee need to be assessed, considering the technical complexity of their role and the range of activities involved.

4.6 Culture

The Internal audit function will include within its scope the risk and control culture of the organisation. This will assess whether the processes (e.g. appraisal and remuneration), actions (e.g. decision making), 'tone at the top' and observed behaviours across the organisation are in line with the espoused values, ethics, risk appetite and policies of the organisation. Internal audit will consider the attitude, and assess the approach taken by, all levels of management to risk management and internal control. This should include management's actions in addressing known control deficiencies as well as management's regular assessment of controls.

The Internal audit function is, inherently, part of the culture itself. Despite being independent and objective, internal audit, without realising it, may have adopted the same cultural values and ethics as the rest of the organisation. Internal audit will be conscious of this and will ensure to distance itself from cultural drivers, such as remuneration.

4.7 Resourcing and Budget

The Internal Audit Function will be resourced by persons with the appropriate skills and experience to undertake its responsibilities. The appropriate resourcing of the function is the responsibility of the Lloyd's Audit Director. The Audit Committee approves the annual plan and ensures that the Lloyd's Audit Director has sufficient resources and budget to perform the activities in context of this plan.

4.8 Role of Management and the Audit Committee

The Internal Audit function is ultimately responsible to the Audit Committee, and where appropriate, co-operates with the other independent control functions in carrying out its role.

Through governance arrangements, the Audit Committee ensures that the Internal Audit function and its associated reporting lines are incorporated into the organisational structure in such a way that the Internal Audit function is free from influences that may compromise its ability to undertake its duties in an objective, fair and independent manner.

Per guidance included in the *CIIA FS Code*, the Chair of the Audit Committee inputs into the appointment, removal, and remuneration of the Lloyd's Audit Director.

The Audit Committee is actively involved in the performance management of the Lloyd's Audit Director.

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APPENDIX 3 – 2025 INTERNAL AUDIT KPIs

Internal Audit KPIs	Fully Met	Met	Not Met	Measure Formula	Measure Frequency	Feb-26
Approval of the Audit Plan by the Audit Committee (AC) by YfE. Following approval the Audit Plan is communicated to the Executive Leadership Group (ELG) / Global Leadership Team (GLT) on a timely basis	Audit Plan for year communicated by previous YfE	N/A	Failure to inform by YfE	Audit Plan is agreed and approved by the AC in Q4 and then circulated to the ELG / GLT by the year end.	Annually	
Annual feedback survey on Internal Audit's performance sent to AC members.	Survey completed with average response of 'very good'	Survey completed with average response of 'good'	Survey not run	Results of the survey are included within the AC pack.	Annually	
Internal Quality Assurance (QA) process run	Internal QA process run in line with methodology	Internal QA process not run in line with methodology	No QA process run	QA templates used to document QA reviews. Results from QA reviews reviewed by HOIA.	Annually	
Completion of Audit Plan	All final audit reports issued to management by the end of Q1 of the following year	All final audit reports issued prior to Q2 AC	Some audit activity from the prior year not completed and not notified to the AC	Remaining audit reports are included within the Internal Audit submission to the AC in Q1 of the following year.	Annually – Q1 of the following year	
EQA takes place at least every 5 years	EQA completed within 5 years, action plan developed by IA to address all recommendations and output presented to the AC.	EQA completed within 5 years but no action plan developed by IA to address recommendations.	EQA not completed within a 5 year period	EQA report and IA action plan included within AC pack	Every 5 years	
Resourcing needs meet audit activity requirements	Resourcing needs assessed and sufficient to deliver audit activity	Resourcing needs assessed and there are concerns over ability to deliver future audit activity	Inadequate resources to deliver audit activity	Resourcing schedule reviewed on an ongoing basis and used to drive delivery of the annual Audit Plan	Ongoing	
The AC is provided with regular updates on progress made against the Audit Plan. Any changes to the Audit Plan are approved by the AC	Progress against the Audit Plan communicated to the AC on a quarterly basis	N/A	Failure to provide updates to the AC on a quarterly basis	Progress against the Audit Plan and requests for changes are included within the quarterly Internal Audit submission to the AC. Changes to the Audit Plan are approved by the AC.	Quarterly	
Provision of draft scope and timeframe of audit activity on a timely basis to the ELG / GLT Sponsor for approval	Draft Terms of Reference (TOR) provided at least 10 working days prior to audit commencing	Draft TOR provided less than 10 working days prior to audit commencing	Draft TOR provided during audit	Date of Draft TOR recorded in KPI tracker and is compared to 'start of core planning' date.	Quarterly	
Provision of final scope and timeframe of audit activity issued on a timely basis to the ELG / GLT Sponsor and wider distribution list	Final Terms of Reference (TOR) issued prior to audit commencing	Final Terms of Reference (TOR) issued during audit	Final TOR not issued	Date of Final TOR recorded in KPI tracker and is compared to 'start of core planning' date.	Quarterly	
Holding a close out meeting with management to discuss draft observations following completion of fieldwork to incorporate feedback	Close out meeting held with key stakeholders	N/A	Close out meeting not held and no compensating reason	Validate that all 'Audit Checklists' include a close out meeting. Measured on KPI tracker	Quarterly	
Issuance of draft internal audit reports within agreed timeframes in terms of reference	TOR dates met	Within 2 weeks of TOR dates	Over 2 weeks delay	Actual time of draft and final report compared against TOR date. Tracked in status tracker	Quarterly	
Issuance of final internal audit reports within agreed timeframes in terms of reference	TOR dates met	Within 2 weeks of TOR dates	Over 2 weeks delay	Actual time of draft and final report compared against TOR date. Tracked in status tracker	Quarterly	
Customer Satisfaction Survey (CSS) form sent for each audit to key stakeholders to enable feedback to be provided which is ultimately provided to the ARC	Forms provided to auditees within 2 weeks of Audit report	After 2 weeks	No form provided to enable feedback	Report run of all CSS forms and compared against audits conducted in the period. Measured on Internal Audit KPI tracker.	Quarterly	
Regular update of Audit Actions – all due / overdue actions are communicated to action owners on a monthly basis with responses received	100% of Medium/High actions with updates provided	Action tracking email sent but some responses not received.	Action tracking not performed completely	On a quarterly basis Audit management review the overdue actions for inclusion in the AC pack.	Quarterly	
Regular dialog with members of the Executive Committee to discuss current and upcoming audit activity, and to identify potential areas where higher risk has been identified for consideration in audit universe.	Meetings with all members of the Executive Committee within the last quarter	Meetings with all members of the Executive Committee within the last 6 months	Over 6 months since dialog with any member of the Executive Committee	Review calendar to assess meetings have taken place within the last quarter.	Quarterly	
Completion of mandatory training	All mandatory training completed on a timely basis	All mandatory training completed after due date	Not all mandatory training completed	Confirmation from all IA team members that mandatory training has been completed within due dates.	Quarterly	
Operating within agreed budget	Forecast to stay within budget	Forecast to overspend, communicated to Finance and approval obtained from ExCo	Overspend, not communicated to Finance and not approved by ExCo	Actual vs Budget monitored on a monthly basis	Quarterly	

Comments - ABMER RATING - Following the design of the QAIP process, the process needs to be embedded into the Senior Leadership team – pending return of the LIC Head of Internal Audit from sick leave.

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