STANDARD CHARTERED PLC
(the “Company”)
AUDIT COMMITTEE

TERMS OF REFERENCE

APPOINTED BY: The Board of Standard Chartered PLC (the “Board”).

MEMBERS: The Audit Committee (the “Committee”) members shall be appointed by the Board on the recommendation of the Governance and Nomination Committee. The Committee shall comprise at least three members one of which shall be the Chair of the Board Risk Committee. All members of the Committee shall be independent Non-Executive Directors. The Chairman of the Board shall not be a member of the Committee. At least one member of the Committee should have recent and relevant financial experience. The Committee as a whole shall have competence to the banking sector.

CHAIR: The Committee Chair shall be one of the members of the Committee, recommended by the Governance and Nomination Committee and approved by the Board. Ad hoc meetings of the Committee will be chaired by the Committee Chair or his/her nominee. The Chair (or nominee) shall be an independent Non-Executive Director.

ATTENDANCE: Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, the Group Chief Executive, the Group Chief Financial Officer, the Group Chief Risk Officer, Group General Counsel, the Group Head of Internal Audit, the Group Head of Conduct, Financial Crime and Compliance, Group Financial Controller, Chief Financial Officer, Group Finance and the Statutory Auditor would normally be invited to attend all or part of any meeting by invitation from the Committee Chair.

SECRETARY: The Group Company Secretary or his/her nominee shall act as the Secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

The Secretary shall have independent access to the Chair of the Committee.

The Secretary shall minute the proceedings and decisions of all Committee meetings, including recording the names of those present and in attendance.

Draft minutes of Committee meetings shall be circulated to all members of the Committee. Once approved, minutes should be
circulated to all members of the Board unless, exceptionally, it would be inappropriate to do so.

**QUORUM:**
Any two, one of whom must be the Committee Chair or his/her nominee.

**MEETINGS:**
The Committee shall meet at least six times each year and on such other occasions as the Committee Chair deems necessary. Two meetings will coincide with the year-end and interim financial reporting cycles.

The Committee will meet at least annually with the Statutory Auditor without Management being present to discuss matters relating to the Committee’s remit.

The Committee will meet at least annually on an individual basis with the Group Chief Financial Officer, Group Head of Internal Audit and Group Head of Conduct, Financial Crime and Compliance without other Management being present to discuss matters relating to the Committee’s remit.

Outside of the formal meeting schedule, the Committee Chair will maintain a dialogue with key individuals involved in the Company’s governance, including the Chairman of the Board, the Group Chief Executive, the Group Chief Financial Officer, the Group Chief Risk Officer, Group General Counsel, the Group Head of Conduct, Financial Crime and Compliance, the Statutory Auditor’s lead partner and the Group Head of Internal Audit.

The Committee may meet at any time with members only being present, should it consider this necessary or desirable.

The Statutory Auditor, Group Internal Audit or Group Head of Conduct, Financial Crime and Compliance may request a meeting if they consider that one is necessary.

**TRAINING:**
The Committee members shall be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

**AUTHORITY:**
The Committee is concerned with the business of the Company and its subsidiaries (the “Group”) and is authorised by the Board to:

- seek any information that it requires in connection with its purpose and responsibilities from any employee of the Group.

- request the attendance of any employee at a meeting of the Committee as and when required.
• have access to sufficient resources in order to carry out its
duties and to seek appropriate independent professional
advice on any matters within its Terms of Reference at the
Company’s expense as and when it considers it necessary
but should consult the Board before material expenditure
is incurred.

PURPOSE: The Committee shall:

• Monitor the integrity of the financial statements and any
formal announcements relating to the Company’s financial
performance, reviewing significant financial reporting
judgements contained therein.

• Review reports from Group Internal Audit that detail the
findings from audits of the Company’s internal controls.

• Review the Company’s internal financial controls.

• Monitor the effectiveness of the Company’s Internal Audit
function.

• Make recommendations to the Board for it to be put to the
shareholders for their approval at a general meeting, the
appointment, re-appointment and removal of the Statutory
Auditor and to approve the remuneration and terms of
engagement of the Statutory Auditor.

• Review and monitor the Statutory Auditor’s independence
and objectivity and the effectiveness of the audit process
taking into consideration relevant UK professional and
regulatory requirements.

• Develop and implement policy on the engagement of the
Statutory Auditor to supply non-audit services.

• Review and monitor the effectiveness of the Group’s
Whistleblowing systems and controls.

• Review and monitor the effectiveness of the Group’s
compliance controls.

RESPONSIBILITIES

The responsibilities of the Committee are:

1. **FINANCIAL REPORTING**

(a) Review and report to the Board on significant financial reporting issues and
judgements and provisions for losses made in connection with the preparation
of financial statements of the Company (having regard to matters communicated to it by the Group’s Statutory Auditor) interim reports, preliminary announcements and related formal statements.

(b) Receive reports from Management on compliance with accounting standards and other legal and regulatory requirements.

(c) Receive reports from Management on any methods used to account for significant or unusual transactions where the accounting treatment is open to different approaches. The Committee should consider significant accounting policies and any changes to them and make recommendations to the Board.

(d) Approve the Group IFRS 9 Impairment Provisioning Policy at least every two years, subject to there being no material changes within this period.

(e) Consider whether it is appropriate for the Group to adopt the going concern basis of accounting in preparation of the annual and half-yearly financial statements and to identify any material uncertainties to the Group’s ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements.

(f) Advise the Board whether the information presented in the financial statements presents a fair, balanced and understandable assessment of the position and prospects of the Company and in particular, for the purposes of the Board’s statements on these matters, whether the content of the Annual Report as a whole for the Company is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position and performance, business model and strategy.

(g) Review and ensure that the Pillar 3 disclosures have been prepared in accordance with the Group’s internal control processes and approve the publication of Pillar 3 disclosures.

(h) Review and ensure that the Main Features of Capital Instruments and Minimum requirement for own funds and eligible liabilities disclosures have been prepared in accordance with the Group’s internal control processes and approve the publication of Main Features of Capital Instruments and Minimum requirement for own funds and eligible liabilities disclosures (which contains the details and full terms and conditions of CET1, AT1 and T2 capital instruments and MREL eligible instruments).

2. INTERNAL CONTROLS

(a) Report to the Board on the effectiveness of the Group’s internal controls through considering reports from Management, Group Internal Audit and the Group’s Statutory Auditor.

(b) Consider (and enquire of Management) the existence of any significant deficiencies in the design or operation of the Group’s system of internal controls, any material weaknesses in internal controls and any fraud, whether or not
material, that involves management or other employees who have a significant role in the Group's affairs.

3. **INTERNAL FINANCIAL CONTROL**

(a) Review the Group’s internal financial systems and controls including:
   
   (i) The effectiveness of the Group’s internal financial controls to identify, assess, manage and monitor financial risks.
   
   (ii) The findings of any testing carried out by the internal auditor or Statutory Auditor on the Group’s internal financial controls.
   
   (iii) Review and recommend to the Board the disclosures included in the Annual Report in relation to internal control and the viability statement.

4. **ACCOUNTING AND FINANCE REPORTING FUNCTION**

To seek assurance that the accounting and financial reporting function is adequately resourced.

5. **GROUP INTERNAL AUDIT FUNCTION**

In relation to the Group’s Internal Audit function:

(a) Monitor and review the effectiveness, independence and objectivity of the Group’s Internal Audit function.

(b) Ensure that Group Internal Audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors.

(c) Approve the annual Group Internal Audit Plan and monitor and review the effectiveness of Group Internal Audit in ensuring that the Group Internal Audit Plan is aligned to the key risks of the business.

(d) Annually approve the Group Internal Audit Charter ensuring it is appropriate for the current needs of the Group.

(e) Review and monitor Management’s responsiveness to Group Internal Audit findings and recommendations.

(f) Meet with the Group Head of Internal Audit to discuss the effectiveness of the Group Internal Audit function.

(g) Approve the appointment or termination of appointment of the Group Head of Internal Audit.

(h) Review reports from Group Internal Audit and Management’s responses to internal audit’s findings. Ensure that any material issues arising which are within
the remit of the Board Risk Committee and the Board Financial Crime Risk Committee are communicated to such Committees for their consideration.

(i) Consider whether an external assessment of Group Internal Audit should be conducted at least every five years by a qualified, independent assessor or assessment team from outside the Group.

(j) Ensure that Group Internal Audit has a reporting line which enables it to be independent of Management and so able to exercise independent judgement.

6. STATUTORY AUDITOR

In relation to the Statutory Auditor:

The Committee has primary responsibility for recommending to the Board the appointment of the Statutory Auditor. This includes agreeing the fee and scope of the audit, initiating a tender process, influencing the appointment of an engagement partner and making formal recommendations on the appointment, reappointment (through the Board to shareholders to consider at the Annual General Meeting) and removal of the Statutory Auditor.

(a) Ensure that at least once every ten years the audit services contract is put out to tender and to oversee the tender selection process.

(b) Be responsible for the selection procedure for the appointment of audit firms, overseeing the selection process and ensuring that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process.

(c) Annually assess, and report to the Board on, the qualification, expertise, resources, independence and objectivity of the Statutory Auditor and the effectiveness of the audit process, with a recommendation on whether to propose to shareholders that the Statutory Auditor be reappointed.

(d) If the Statutory Auditor resigns, the Committee should investigate the issues giving rise to such resignation and consider whether any action is required.

(e) Approve the terms of engagement, review and agree the engagement letter issued at the start of each audit and approve the remuneration to be paid to the Statutory Auditor in respect of audit services provided. The Committee should satisfy itself that the level of fee payable in respect of the audit services provided is appropriate and that an effective, high quality, audit can be conducted for such a fee.

(f) Review and provide feedback on the annual plan presented by the Statutory Auditor.

(g) Review and recommend the letter of representation to the Board.

(h) Review the Statutory Auditor’s control report and Management’s response to the Statutory Auditor’s findings and recommendations.
(i) Review the findings of the Statutory Auditor’s audit (or any other assurance work relating to the audit, such as interim reviews) including any major issues that arose during the course of the audit that have subsequently been resolved and any unresolved audit issues. To consider key accounting and audit judgements, the level of errors identified during the audit, obtain explanations from Management and, where necessary, the Statutory Auditor as to why audit differences remain unadjusted.

(j) Review of annual and adhoc reporting required by the UK regulators, including the Written Auditor Reporting.

(k) Evaluate the risks to the quality and effectiveness of the financial reporting process especially in the light of the Statutory Auditor’s communications with the Committee.

(l) Monitor the Statutory Auditor's compliance with the Ethical Standards for Auditors relating to, among other things, the rotation of the audit engagement partner and key audit partners, the level of fees that the Group pays in proportion to the overall fee income of the audit firm, and other related regulatory requirements.

(m) Recommend to the Board the identity and replacement from time to time of the external audit engagement partner.

(n) Develop and implement policy on the engagement of the Statutory Auditor to supply non-audit services, ensuring there is prior approval of non-audit services, considering the impact this may have on independence and taking into account the relevant Financial Reporting Council Ethical Standard and legal requirements regarding the provision of non-audit services by the external audit firm; and to review and approve any changes proposed by Management to the Group Non-audit Services Policy and continue to seek assurance regarding the implementation of this Policy.

(o) Agree the Group's policy for the employment of former employees of the Statutory Auditor, taking into account the Financial Reporting Council Ethical Standard and legal requirements and receive reports on the application of this policy.

7. CONDUCT, FINANCIAL CRIME AND COMPLIANCE FUNCTION

In relation to the Group’s Conduct, Financial Crime and Compliance function:

(a) Have oversight of the Conduct, Financial Crime and Compliance function of the Group and meet with the Group Head of Conduct, Financial Crime and Compliance, from time to time as agreed, to discuss matters concerning the function.

(b) Consider the Group’s compliance annual programme and receive assurance from Management that the function is adequately resourced.

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1 Financial Crime Compliance risk is overseen by the Board Financial Crime Risk Committee and Conduct risk is overseen by the Brand, Values and Conduct Committee.

Approved by the Board on 28 July 2020
(c) Review reports from the Group Head of Conduct, Financial Crime and Compliance on the arrangements established by Management for ensuring adherence to internal compliance policies and procedures and compliance with specific laws and regulations, as requested by the Committee or required by laws and regulations.

8. WHISTLEBLOWING

(a) Review the operation and effectiveness of the Company’s systems and controls in relation to whistleblowing, by which employees, contractors and suppliers of the Group may, in confidence, raise concerns about possible improprieties or misconduct on the part of the Group or its employees including, but not limited to, breaches of law or internal policies and procedures. The Committee shall ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

(b) Prior to submission to the Board, review the Annual Report from Management concerning the operation and effectiveness of whistleblowing systems and controls.

9. REGULATORY

Subject to Paragraph 11(i), consider significant correspondence from the Prudential Regulation Authority (“PRA”) and Financial Conduct Authority (“FCA”), findings from the Periodic Summary Meeting of the PRA and the Firm Evaluation Meeting of the FCA. Consider any reports prepared by third-parties appointed under the Financial Services and Markets Act 2000 (Section 166 reports) and response by Management to risks and issues identified in Section 166 reports.

10. SUBSIDIARY GOVERNANCE AND OVERSIGHT

Maintain linkages and escalation channels with the chairs and independent non-executive directors across subsidiary audit committees.

11. OPERATION OF THE COMMITTEE

(a) Consider the disclosures in the Annual Report regarding how the Committee has discharged its responsibilities under its Terms of Reference and the disclosure requirements as set out by the Financial Reporting Council and UK Corporate Governance Code.

(b) Consider and examine such other matters as the Board requires, the Committee considers appropriate, or which are brought to its attention, and to make recommendations or reports to the Board as appropriate.

(c) Annually review the effectiveness of the Committee as well as the quality of the information it receives.

(d) Report any unresolved issues between the Committee and the Board as part of its disclosure on its responsibilities in the Annual Report.
(e) Give due consideration to laws, regulations and the requirements of the UK, Hong Kong and India Listing Rules as appropriate.

(f) Annually review the Committee’s Terms of Reference and propose any changes it considers necessary to the Board for approval.

(g) Report to the Board on the Committee’s activities and its consideration of the above matters, identifying those areas where action or improvement is needed, and making recommendations as appropriate.

(h) The Chair of the Committee is to attend the Annual General Meeting and answer any questions from shareholders, through the Chairman of the Board, on the Committee’s activities and its responsibilities. In addition, the Committee Chair should make themselves available when requested by shareholders to discuss significant matters related to the Committee’s areas of responsibility.

(i) Where there is a perceived overlap of responsibilities between the Audit Committee, the Board Risk Committee, the Brand, Values and Conduct Committee and the Board Financial Crime Risk Committee, the respective Committee Chairs shall have the discretion to agree the most appropriate Committee to fulfil any obligation. An obligation under the terms of reference of the Audit Committee, the Board Risk Committee, the Brand, Values and Conduct Committee or the Board Financial Crime Risk Committee will be deemed by the Board of Directors to have been fulfilled providing it is dealt with by either the Audit Committee, the Board Risk Committee, the Brand, Values and Conduct Committee or the Board Financial Crime Risk Committee.