

**STANDARD CHARTERED PLC  
(the Company)**

**AUDIT COMMITTEE  
(the Committee)**

**TERMS OF REFERENCE**

**1. Purpose**

The Committee is appointed by the Board to assist and advise the Board in fulfilling its oversight responsibilities in relation to financial and non-financial reporting, internal controls, internal and external audit and Whistleblowing systems and controls.

**2. Responsibilities**

The Committee shall:

**FINANCIAL, NON-FINANCIAL AND NARRATIVE REPORTING**

- 2.1. Monitor and critically assess the integrity of financial statements of the Company, any interim reports, preliminary announcements and related financial reports, including review of any significant financial reporting issues and judgements and provisions for losses made therein (having regard to matters communicated to it by the Group's Statutory Auditor) and recommend the same to the Board for approval as appropriate;
- 2.2. Receive reports from management and provide assurance to the Board on compliance with accounting standards and other legal and regulatory requirements;
- 2.3. 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;
- 2.4. Review the impacts of new or amendments to significant accounting policies, standards and disclosure practices;
- 2.5. 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 twelve months from the date of approval of the financial statements;
- 2.6. 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;

- 2.7. 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 the year-end Pillar 3 disclosures. Management to approve the publication of quarters one, two and three Pillar 3 disclosures, with a report presented to the Committee in advance setting out the Pillar 3 disclosures assurance process;
- 2.8. 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 the year-end 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). Management to approve the publication of the half-year Main Features of Capital Instruments and Minimum requirement for own funds and eligible liabilities disclosures, with a report presented to the Committee in advance setting out the Main Features of Capital Instruments and Minimum requirement for own funds and eligible liabilities disclosures assurance process;
- 2.9. Review and approve Country by Country Reporting disclosures and the Letter of Representation to be provided to the Group's Statutory Auditor;
- 2.10. Review integrated Environmental, Social and Governance (ESG) reporting, including Task Force on Climate-Related Financial Disclosures (TCFD), and ensure that the disclosures are compliant with standards, frameworks and principles which are relevant to the Group;

### **INTERNAL CONTROLS**

- 2.11. Review and 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;
- 2.12. 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;

### **INTERNAL FINANCIAL CONTROLS**

- 2.13. 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; and

- (iii) review and recommend to the Board the disclosures included in the Annual Report in relation to internal control and the viability statement;

### **ACCOUNTING AND FINANCE REPORTING FUNCTION**

- 2.14. Seek assurance that the accounting and financial reporting function is adequately resourced;

### **TAX STRATEGY**

- 2.15. Review and approve the Group's Tax Strategy;

### **GROUP INTERNAL AUDIT FUNCTION**

- 2.16. Approve annually the Group Internal Audit Charter, including the Group Internal Audit mandate, ensuring it is appropriate for the current needs of the Group;
- 2.17. Approve Group Internal Audit's performance objectives, the annual Audit Plan, budget, and required resources, and monitor and review the Group Internal Audit Plan, including approving significant changes to it, to ensure it is aligned to the key risks of the business;
- 2.18. Monitor and review the Group Internal Audit function's impact, effectiveness, efficiency, independence, objectivity, and performance against its strategy and objectives;
- 2.19. Advocate and champion the Group Internal Audit function to support its purpose, and 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;
- 2.20. Review and monitor management's responsiveness to Group Internal Audit findings and recommendations;
- 2.21. Approve the appointment or termination of appointment of the Group Head of Internal Audit, and provide inputs into the Group Head of Internal Audit's role and responsibilities, qualifications, compensation and performance evaluation;
- 2.22. 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 Culture and Sustainability Committee are communicated to such Committees for their consideration;
- 2.23. Approve the external quality assessment plan for the assessment of Group Internal Audit conducted at least every five years by a qualified and independent assessor, oversee the process, receive the results, and approve and monitor closure of the resulting action plans;
- 2.24. Ensure that Group Internal Audit has a reporting line which enables it to be independent of management and so able to exercise independent judgement,

including direct access and reporting to the Committee Chair;

### **STATUTORY AUDITOR**

- 2.25. Ensure that at least once every ten years the audit services contract is put out to tender and oversee the tender selection process and at least every twenty years that the auditor is rotated;
- 2.26. Be responsible for the selection procedure for the appointment of audit firms, leading 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;
- 2.27. Recommend to the Board, for it to put to shareholders for approval at the Annual General Meeting, the appointment, reappointment, or removal of the Statutory Auditor;
- 2.28. Assess annually, 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. The assessment should include a review and discussion of the Financial Reporting Council's (FRC's) annual report on the auditor to obtain an understanding of how any issues identified are being addressed;
- 2.29. If the Statutory Auditor resigns, investigate the issues giving rise to such resignation and consider whether any action is required;
- 2.30. 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;
- 2.31. Review and provide feedback on the annual plan presented by the Statutory Auditor;
- 2.32. Review and recommend the letter of representation to the Board;
- 2.33. Review the Statutory Auditor's control report and management's response to the Statutory Auditor's findings and recommendations;
- 2.34. Invite challenge by the Statutory Auditor, giving due consideration to points raised and making changes to financial statements in response, where appropriate;
- 2.35. 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 and obtain explanations from management and, where necessary, the Statutory Auditor as to why audit differences remain unadjusted;

- 2.36. Review of annual and ad hoc reporting required by the UK regulators, including the Written Auditor Reporting;
- 2.37. 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;
- 2.38. 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, the level of fees that the Group pays for non-audit services relative to the audit fee, and other related regulatory requirements;
- 2.39. Recommend to the Board the identity and replacement from time to time of the external audit engagement partner;
- 2.40. Oversee the implementation by management of the Group Non-audit Services Policy taking into account relevant regulatory requirements, approve non-audit services as required under the policy and approve any changes to the Group Non-audit Services Policy;
- 2.41. Oversee the Group's policy for the employment of former employees of the Statutory Auditor, taking into account the FRC's Ethical Standard and legal requirements and receive reports on the application of this policy;

### **CONDUCT RISK FRAMEWORK**

- 2.42. Review:
  - (i) the effectiveness of the Group's approach to conduct risk management as an integral component of the Enterprise Risk Management Framework;
  - (ii) any thematic conduct risk issues identified and related management action plans; and
  - (iii) the Group's approach to ensuring it meets its desired Conduct Outcomes;

### **COMPLIANCE, FINANCIAL CRIME AND CONDUCT RISK (CFCR) FUNCTION**

- 2.43. Oversee the CFCR function of the Group;
- 2.44. Consider the Group's compliance programme and receive assurance from management that the function is adequately resourced;
- 2.45. Review reports from the Group Head CFCR on the Group's effectiveness in managing CFCR including: the management and effectiveness of anti-money laundering systems and controls (including Client Due Diligence); sanctions

compliance, prevention/detection of bribery and corruption; the Group's financial crime risk assessment endorsed by the Group Financial Crime Risk Committee (GFCRC) in accordance with the operational risk framework approach and authorities; and financial crime compliance matters generally;

- 2.46. Review bi-annually reports from the Group Money Laundering Reporting Officer (MLRO);
- 2.47. Review reports regarding the Group's compliance with any remediation or other commitments made in respect of any regulatory order, deferred prosecution agreement or other disciplinary action taken in relation to the Group arising from, or in association with, money laundering, sanctions abuse, bribery, corruption and/or the prevention of tax crime;
- 2.48. Ensure that the Head of CFCR has direct access to the Committee Chair;

### **WHISTLEBLOWING**

- 2.49. 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;
- 2.50. Prior to submission to the Board, review the Annual Report from management concerning the operation and effectiveness of whistleblowing systems and controls;

### **LEGAL REPORTING**

- 2.51. Review reports on major disputes and significant regulatory or government investigations;

### **REGULATORY**

- 2.52. Subject to Paragraph 3.17(vi) 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;
- 2.53. Consider relevant 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 and other material regulatory issues;

### **SUBSIDIARY GOVERNANCE AND OVERSIGHT**

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

### **3. Committee Governance**

#### Authority

- 3.1. the Committee is concerned with the business of Standard Chartered PLC and its subsidiaries (the Group) and is authorised by the Board to:
- (i) seek any information that it requires in connection with its purpose and responsibilities from any employee of the Group;
  - (ii) request the attendance of any employee at a meeting of the Committee as and when required; and
  - (iii) have access to sufficient resources 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.

#### Membership

- 3.2. Members shall be appointed by the Board.
- 3.3. The Committee shall comprise at least three independent Non-Executive Directors, one of which shall be a member of the Board Risk Committee. All members of the Committee shall be independent Non-Executive Directors. All Members should have, individually and collectively, appropriate knowledge, skills and expertise concerning the banking sector. At least one member of the Committee should have recent and relevant financial experience. The Group Chairman shall not be a member of the Committee.

#### Committee Chair

- 3.4. The appointment of the Committee Chair shall be recommended by the Governance and Nomination Committee and approved by the Board.
- 3.5. In the absence of the Committee Chair, meetings of the Committee shall be chaired by either the Committee Chair's nominee or, in the absence of such nomination, the remaining members present shall elect one of their number to chair the meeting. The Chair (or nominee) shall be an independent Non-Executive Director.

#### Quorum

- 3.6. The quorum for the transaction of business shall be any two members, one of whom must be the Committee Chair or his/her nominee.

#### Committee Secretary

- 3.7. The Group Company Secretary or his/her nominee shall act as the Committee Secretary 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.
- 3.8. The Secretary shall minute the proceedings and decisions of all Committee meetings and draft minutes of Committee meetings shall be circulated to all members of the Committee.



### Meetings

- 3.9. The Committee shall meet at least six times each year and on such other occasions as the Committee Chair deems necessary. In addition, should it consider it necessary, the Committee may meet at any time with members only being present.
- 3.10. Any member, the Statutory Auditor, Group Internal Audit or Group Head CFCR may make a request to the Committee Chair that a meeting be held if they consider that one is necessary.
- 3.11. 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 CFCR/ Group MLRO without other management being present to discuss matters relating to the Committee's remit. The Committee will meet at least annually with the Statutory Auditor without management being present to discuss matters relating to the Committee's remit.
- 3.12. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the 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 CFCR, Group Financial Controller and Group Finance would normally be invited to attend all or part of any meeting by invitation from the Committee Chair.
- 3.13. The external auditors may be invited to attend all or part of any meeting by invitation from the Committee Chair.

### Reporting and Shareholder Engagement

- 3.14. The Committee shall report to the Board on the Committee's activities and will make recommendations as necessary.
- 3.15. The Committee shall review any reports required or recommended on areas within the Committee's responsibilities for inclusion in documents for public disclosure by the Company and provide a description of its activities in the Company's annual report.
- 3.16. The Committee Chair shall attend the Annual General Meeting and answer any shareholder questions, through the Board Chairman, on the Committee's activities and 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 including, where appropriate, the scope of the statutory audit.

### Other Matters

- 3.17. The Committee shall:
  - (i) consider such other matters as the Board requires and make recommendations or reports to the Board as appropriate;
  - (ii) give due consideration to applicable laws, regulations and the requirements of the London and Hong Kong Stock Exchanges, as appropriate;



- (iii) follow the FRC's Audit Committees and the External Audit: Minimum Standard;
- (iv) 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;
- (v) receive updates of the activities of the GFCRC via the minutes of its meetings and consider any matters of significance elevated to the Committee by the GFCRC, where required; and
- (vi) liaise and collaborate with other Board Committees as necessary and the respective Committee Chairs shall have discretion to agree the most appropriate Board Committee to fulfil an obligation in the event of a perceived overlap; with the obligation being deemed fulfilled by the Board irrespective which Board Committee fulfilled the obligation.

#### **4. Review of Operations**

The Committee shall annually conduct:

- 4.1. a performance review of the Committee's work and effectiveness, including the quality of the information it receives, with the results and action plan to address any issues raised submitted to the Board; and
- 4.2. a review of these Terms of Reference, including performance against the Terms of Reference and recommend any proposed changes to the Board for approval.