

**STANDARD CHARTERED PLC**  
**(the Company)**  
**BOARD RISK 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 the key risks of the Group and shall make recommendations to the Board on the Group's Risk Appetite Statement.

**2. Responsibilities**

The Committee shall:

**RISK APPETITE**

**2.1. Consider the Group's overall Risk Appetite, in particular:**

- (i) consider reports on the current and prospective macro-economic and financial environment, drawing on financial stability assessments from authoritative sources and take these into account when assessing Risk Appetite;
- (ii) review reports and recommendations regarding the Group's overall Risk Appetite Statement, Metrics and Thresholds and recommend the same to the Board for approval;
- (iii) approve interim changes to the Board approved Group Risk Appetite Statement, Metrics and Thresholds ensuring that any interim changes are reported promptly to the Board; and
- (iv) monitor the Group's risk profile and adherence to the Board approved Risk Appetite Statement, Metrics and Thresholds to include reviewing reports on:
  - (a) current risk exposures, Management Team Limit and other risk limits; and
  - (b) Risk Appetite monitoring and remediation of breaches;

**ENTERPRISE RISK MANAGEMENT**

- 2.2. Review annually the assessment by management of the Group's Enterprise Risk Management Framework and recommend to the Board for approval any material changes to the Group's Enterprise Risk Management Framework;**
- 2.3. Consider and keep under review the Group's capability for identifying and managing emerging and new risk types, reprioritise existing risk types or risk correlations which may not be covered by existing Enterprise Risk Management Framework arrangements at any given time including the implications of changes proposed to regulations and legislation that are material to the Group's Risk Appetite, risk exposure and management of risk;**

- 2.4. Robustly assess emerging and existing principal risk types<sup>1</sup>, as set out in the Enterprise Risk Management Framework, and the effectiveness of related risk type frameworks and policies. This includes reviewing the approach by which each principal risk type is controlled individually as well as on a collective basis and review reports on the Group's management of risk, including adherence to Group risk type frameworks and policies and standards and the maintenance of a supportive culture in relation to the management of risk;
- 2.5. Consider any report from the Audit Committee and the Culture and Sustainability Committee on their monitoring and review of the effectiveness of the risk management and internal controls on matters falling within the scope of their responsibilities;

Review the Group Chief Risk Officer's annual affirmation of the effectiveness of the Group's Enterprise Risk Management Framework, and of internal controls which are within the Committee's scope, through considering reports from Group Internal Audit;

### **STRESS TEST**

- 2.6. Provide oversight and challenge of the design and execution of stress and scenario testing;
- 2.7. Review and approve regulatory submissions of the results of and supporting information for enterprise-wide stress tests presented by management and to review the use of stress test outcomes for making strategic decisions and setting of Risk Appetite;

### **REGULATORY**

- 2.8. Review and approve on behalf of the Board the regulatory submission of the Group's internal liquidity adequacy assessment process (ILAAP), internal capital adequacy assessment process (ICAAP), Recovery Plan and Resolvability self-assessment;
- 2.9. Review and approve, on behalf of the Board, the material changes to Important Business Services (IBS) and Impact Tolerance Statements (ITS), as well as the Operational Resilience Group Self-Assessment;
- 2.10. Subject to Paragraph 3.16(v), consider significant correspondence from the Prudential Regulation Authority (PRA), and Financial Conduct Authority (FCA) including the findings from the Periodic Summary Meeting of the PRA and the Firm Evaluation Meeting of the FCA. Review 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;

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<sup>1</sup> Appended to these Terms of Reference.

- 2.11. Review and approve the internal conditions for the Group's compliance with the BCBS 239 Principles for effective risk data aggregation and risk reporting, as required by the PRA. The conditions should take into account the Group's Risk Appetite, business structure and strategy;

### **INTERNAL AUDIT**

- 2.12. Review reports from Group Internal Audit and discuss matters relevant to the responsibilities of the Committee and review issues arising from Group Internal Audit that in the view of the Group Head of Internal Audit are material to the Committee's deliberations;

### **GROUP CHIEF RISK OFFICER AND RISK FUNCTION**

- 2.13. Make recommendations to the Board on the appointment or removal of the Group Chief Risk Officer;
- 2.14. Monitor the effectiveness and independence of the Group Chief Risk Officer and ensure that the Group Chief Risk Officer has direct access to the Committee Chair;
- 2.15. Satisfy itself that the Risk Function is adequately resourced, has appropriate access to information, is free from constraint by management or other restrictions so as to enable it to perform its function effectively;

### **STRATEGIC TRANSACTION RISK**

- 2.16. In relation to proposed strategic transactions including material acquisitions, joint ventures, partnerships, investments or disposals (those requiring Board approval), to consider and advise the Board on the commercial assessment and structure of any transaction; the impact on stakeholders, the due diligence undertaken focussing particularly on the risk aspects, the impact on risk data aggregation and implications for Risk Appetite;

### **STRATEGIC TREASURY RISK**

- 2.17. Ensure that, in executing the Group strategy, Treasury risks are reviewed, monitored and assessed within internally approved Risk Appetite and external requirements. This includes capital, liquidity, Interest Rate Risks in the Banking Book and pension risk as well as ensuring internal and external recovery and resolution planning requirements are met;

### **RISK MANAGEMENT DISCLOSURES**

- 2.18. Consider risk management disclosures including:
- (i) the disclosure in the annual report of the role of the Committee, its activities and how it has discharged its responsibilities, membership of the Committee, number of Committee meetings, attendance over the course of the year and whether external advice was taken and its source. The Committee shall seek to ensure that the report adequately conveys

- how the long-term strategy of the Group relates to the risk management and Risk Appetite of the Group; and
- (ii) the disclosure in the half-year/annual report on the Group's risk management priorities, performance, profile and approach as covered by the Group Chief Risk Officer's Review and Risk Review, following which the Committee shall provide a recommendation as to whether the disclosure may be approved by the Board;

### **FINANCIAL CRIME**

- 2.19. Request and receive reports on key external trends in relation to financial crime risks (including emerging financial crime risks, typologies or risk correlations and how these risks are being adequately monitored and managed by the Group's existing risk control arrangements, major changes to legislation, regulations, regulatory expectations or developments in industry best practice) and, in particular, to consider material enforcement actions taken, agreements entered into, or public statements made by any regulators or competitors in the area of financial crime;
- 2.20. Consider and keep under review any regulatory and reputational risk associated with money laundering, sanctions abuse, bribery and corruption, tax crime, or any related topic and how these risks are being managed;

### **REMUNERATION**

- 2.21. Consider the advice to be provided by the Group Chief Risk Officer to the Board and Remuneration Committee on the alignment of the remuneration policy, practices and decisions with i) sound and effective risk management; and ii) risk-taking that does not exceed the Risk Appetite of the Group and engage with the Remuneration Committee, through the Group Chief Risk Officer and / or Committee Chair, in relation to material matters that should be considered for risk alignment;

### **SUBSIDIARY GOVERNANCE AND OVERSIGHT**

- 2.22. Maintain linkages and escalation channels with the Chairs and independent non-executive directors across subsidiary risk 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 and alert senior management when risk reports do not meet its requirements;
- (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 whom shall be a member of the Audit Committee. All members of the Committee shall be independent Non-Executive Directors. Members should have, individually and collectively, appropriate knowledge, skills and expertise concerning risk management and control practices.

#### 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 Group Chief Financial Officer or Group Chief Risk Officer may make a request to the Committee Chair that a meeting be held if they consider that one is necessary.
- 3.11. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Group Chairman, the Group Chief

Executive, the Group Chief Financial Officer, the Group Chief Risk Officer, the Group General Counsel, the Group Treasurer, the Group Head, Compliance, Financial Crime & Conduct Risk, the Group Head of Internal Audit, the Global Head of Enterprise Risk Management and Deputy CRO, SC Bank would normally be invited to attend all or part of any meeting by invitation from the Committee Chair.

- 3.12. The external auditors may be invited to attend all or part of any meeting by invitation from the Committee Chair.

#### Reporting and Shareholder Engagement

- 3.13. The Committee shall report to the Board on the Committee's activities and will make recommendations as necessary.
- 3.14. 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.
- 3.15. The Committee Chair shall attend the Annual General Meeting and answer any shareholder questions, through the Group 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.

#### Other Matters

- 3.16. 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) 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;
  - (iv) receive summaries of the minutes of meetings from the Group Risk Committee, the Group Asset and Liability Committee and the Group Financial Crime Risk Committee and consider any matters of significance elevated to the Committee by these committees, where required; and
  - (v) 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.

#### APPENDIX PRINCIPAL RISK TYPES (PRTs) AND RISK FRAMEWORK OWNERS

PRINCIPAL RISK TYPES	DEFINITION	RISK FRAMEWORK OWNERS (RFOs)
<b>Credit</b>	Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.	Co - CRO, Corporate and Investment Banking (CIB) & ASEAN & South Asia CRO, Wealth & Retail Banking (WRB) & GCNA
<b>Traded</b>	Potential for loss resulting from activities undertaken by the Group in financial markets.	Global Head, Traded Risk Management
<b>Treasury</b>	Potential for insufficient capital, liquidity or funding to support our operations, the risk of reductions in earnings or value from movements in interest rates impacting banking book items and the potential for losses from a shortfall in the Group's pension plans.	Co-Head, CRO CIB, Global Head, ERM & Deputy CRO, SC Bank
<b>Operational and Technology</b>	Potential for loss resulting from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).	Global Head, Operational, Technology & Cyber Risk and Operational Risk



<b>Environmental, Social, Governance and Reputational (ESGR)</b>	Potential for damage to the franchise (such as loss of trust, earnings or market capitalisation) arising from actual and perceived actions or inactions that can lead to stakeholders taking a negative view of the Group, or that result in failure to effectively manage Environmental and Social risks or to mitigate the adverse impact to the Bank, as we strive to do no significant environmental and social harm through our clients, third-party relationships or our own operations.	Co-Head, CRO CIB, Global Head, ERM & Deputy CRO, SC Bank
<b>Compliance</b>	Potential for penalties or loss to the Group or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.	Group Head, Compliance, Financial Crime & Conduct Risk
<b>Information and Cyber Security</b>	Risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.	Global Head, Operational, Technology & Cyber Risk
<b>Financial Crime</b>	Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to International Sanctions, Anti-Money Laundering, Anti-Bribery and Corruption and Fraud.	Group Head, Compliance, Financial Crime & Conduct Risk
<b>Model</b>	Potential loss that may occur because of decisions or the risk of mis-estimation that could be principally based on the output of models, due to errors in the development, implementation or use of such models.	Co-Head, CRO CIB, Global Head, ERM & Deputy CRO, SC Bank

The Group may be exposed to certain risks such as ESGR, Digital Assets, Third Party Risk etc that are significant in nature and materialise primarily through existing PRTs. The oversight on such risks is achieved both through existing PRT governance as well in specific cross PRT holistic governance fora.