Group Internal Audit Charter

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1. INTRODUCTION

This Charter relates to Group Internal Audit (GIA), which is part of the Group Internal Audit and Investigations function. The Group Internal Audit Charter (Charter) sets out the purpose, mandate, role, authority, responsibility, scope, and approach, of Group Internal Audit ("GIA"). The Charter sets out GIA's commitment to conform with the Institute of Internal Auditors' (IIA) Global Internal Audit Standards and the Chartered Institute of Internal Auditors' ("CIIA") UK Internal Audit Code of Practice. GIA aims to comply with all regulatory requirements for internal audit in the jurisdictions that Standard Chartered operates in.

2. PURPOSE

GIA is an independent function whose primary role is to help the Board and senior management to protect the assets, reputation, and sustainability of the Group. GIA aims to strengthen the organisation's ability to create, protect, and sustain value by providing the Board and senior management with independent, risk-based, timely and objective assurance, advice, insight, and foresight.

3. MANDATE AND ROLE

3.1 Authority

GIA's authority is received from the Board Audit Committee (BAC) through GIA's direct reporting relationship to the BAC. The Group Head, Internal Audit and GIA staff are authorised to:

- have free and unrestricted access to the Board and Board committees as appropriate, and to the Chief Executive Officer and other senior management members.
- have access to all information and activities across the organisation including records, systems, personnel, and physical property. GIA is not restricted in looking into any aspect of the organisation as it delivers on its mandate.
- determine coverage and scope of work, and allocate resources (financial, human, and technological) required to accomplish its purpose and mandate.

The Group Head, Internal Audit, collaborates with the BAC and senior management to establish the internal audit function, position it independently and support its activities to enable it to fulfil its purpose.

3.2 Responsibilities

The Group Head, Internal Audit, is responsible for:

- leading the development and implementation of GIA's strategy that supports the strategic objectives and success of the organisation, and aligns with the expectations of the Board, senior management, and other key stakeholders.
- developing and leading a high performing, value adding, efficient, effective, and impactful audit function, positioned to deliver on its purpose and mandate.
- ensuring GIA staff have the competencies (knowledge, skills, and abilities), required to deliver on GIA's purpose and mandate. The Group Head, Internal Audit will report to the BAC the adequacy and sufficiency of competencies required to perform GIA work and plans to address any shortfalls, including the use of co-source.
- operating an environment of continuous professional development and training, including supporting professional certifications and qualifications, to ensure GIA staff develop and maintain the required competencies and exhibit the behaviours expected.
- leading the development and maintenance of appropriate methodologies and internal audit processes that enable GIA to perform its work.

- developing, maintaining, and delivering a dynamic risk based audit plan, in line with the organisation's risk landscape and framework, and regulatory requirements, with the objective of assessing if the organisation is adequately controlled, and all key risks have been identified and reported to the Board and senior management. The Group Head, Internal Audit discusses the audit plan, and any material changes, with senior management and presents it and any material changes to the BAC for approval.

- reporting to the BAC any restriction on scope and / or resources limitations, for it to review and approve any material impact to the risk-based audit plan.

- considering and monitoring changes in the external business and regulatory environment, business strategy, policies and procedures and the Group's key priorities and responding appropriately with the necessary audit plan adjustments.

- assessing if outcomes are achieved and business conducted in line with the objectives, risk appetite and valued behaviours of the organisation.

- challenging and influencing senior management to improve the effectiveness of governance, risk management and internal controls.

- ensuring audit work is performed and recorded to sufficient detail to support audit conclusions and achievement of GIA objectives, and that audit results, insights and foresight are communicated effectively, accurately, and timely to senior management, the appropriate Board committees, and other stakeholders as applicable.

- tracking that corrective action plans to address identified risks are effectively implemented and reporting overdue material actions and or risk appetite breaches to senior management and the BAC.

- establishing and maintaining open relationships with the first and second line through regular engagement on governance, risk management and control processes and working with other internal control functions (such as Finance, Risk, and Compliance), and external assurance providers, where appropriate, to share information and reduce duplicated efforts. GIA will not place unqualified reliance on their work.

- establishing and maintaining open and co-operative relationships with regulators, through regular engagement and reporting as required or applicable.

- discussing, at least annually, with the BAC and senior management, GIA's Mission, and the extent of GIA's conformance with the IIA Global Internal Auditing Standards and how the principles in the CIIA Internal Audit Code of Practice have been applied.

- establishing and implementing a quality assurance and improvement assurance program that comprises internal and external quality assessments of GIA's activities to assess conformance with applicable auditing standards and regulations, and the achievement of GIA's purpose and objectives, to identify improvement opportunities.

Other responsibilities as agreed with the BAC, and in line with applicable auditing standards and regulations.

The Group Head, Internal Audit, roles beyond Internal Audit:
- In addition, the Group Head, Internal Audit is accountable for the investigations team, whose primary role is to investigate matters that are likely to involve possible breaches of law, regulation, Bank policy or standards and/or that pose potentially significant financial, legal, regulatory, or reputational risks to the Bank.
- The Credit Risk Review function in the Americas reports within Group Internal Audit, and is overseen by the Country Head of Audit for the US.

4.   SCOPE AND APPROACH

4.1 Scope

GIA is the third line function that provides independent assurance on the effectiveness of controls supporting the activities of the first and second line functions.

GIA's scope includes, but is not limited to:

- independent assessments of the adequacy and effectiveness of governance, risk management, and control processes of the Group, including identifying whether the Group has defined its risk appetite and implemented a risk management strategy and/or framework to embed and manage adherence to the risk appetite.

- assessing that risks relating to the achievement of the Group's strategic objectives are appropriately identified and managed and the results of operations or programs are consistent with established goals and objectives.

- assessing if the actions of the Group's management, employees, and contractors are following applicable policies, procedures, laws, and regulations.

- assessing the risk and control culture of the organisation including assessing whether processes, actions and observed behaviours are in line with the Groups valued behaviours, risk appetite and policies of the organisation.

- assessing information presented to the Board for strategic decision making by reviewing significant business process changes, key corporate events, new products and services, acquisitions, and divestments.

The Group Head, Internal Audit will disclose any interference / scope limitations and the implications, to the BAC.

GIA does not perform consulting / advisory engagements.

4.2 Audit methodology and approach

GIA maintains a defined audit methodology in accordance with industry best practices, the IIA Global Internal Audit Standards and the CIIA Internal Audit Code of Practice.

GIA assesses the risk of the organisation and its activities (including outsourced activities and all legal entities) and considers regulatory audit requirements and expectations.

GIA formulates and executes an annual audit plan of assurance and review activity.

The audit plan is reviewed periodically to assess the impact of changing risks; any significant changes are discussed with senior management and approved by the Audit Committee.

The audit work includes understanding the processes and systems under audit review, evaluating the design of controls, their operating effectiveness, and outcomes of key controls.

GIA evaluates the potential for the occurrence of fraud risk and how the organisation manages fraud risk.

GIA considers management's risk and control culture and whether the Group's actions achieve fair outcomes for clients, investors, our reputation, and the markets in which we operate in.

GIA validates through a risk-based approach, the completion of corrective action plans formulated by management to address identified risks.

4.3 Assurance

GIA's core assurance work is audits, and the main output is a graded report with an opinion on the control environment and, where applicable, other opinions.

GIA's other assurance work includes ungraded reviews, continuous risk assessment activities and other reviews to keep abreast of changing risks.

Assurance work is risk based, regulatory driven and delivered at the specific request of senior management, or the BAC.

Where appropriate, GIA may provide copies of assurance reports to external parties including regulators and similar industry bodies.

5. INDEPENDENCE AND OBJECTIVITY

GIA staff must maintain professional objectivity when performing all aspects of internal audit services. GIA staff will apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances and must not be influenced by personal, business, or other factors.

GIA staff must avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.

GIA staff will not be involved in providing internal audit services in relation to a business activity for which they have had internal oversight or external audit / consulting responsibility within the previous 12 months.

GIA is independent of internal control functions (such as Risk, Compliance and Finance functions) and is neither responsible for, nor part of, them. However, the Group Head, Internal Audit is accountable for the investigations team. Safeguards to manage any perceived or actual conflicts of interest / objectivity impairment resulting from this accountability have been put into place and will be reviewed annually. These safeguards include reassigning investigations involving GIA colleagues to the Compliance and Ethics team that reports into the Chief Risk Officer and obtaining assurance over investigations through internal quality assessment reviews.

GIA staff must disclose any impairment (in fact or appearance) that may affect their objectivity, they must disclose the impairment to the Group Head, Internal Audit, or a designated supervisor. The Group Head, Internal Audit or designated supervisor must discuss the impairment with the management of the activity under review, or senior management and determine appropriate actions to resolve the situation.

The Group Head, Internal Audit confirms annually, GIA's independence and objectivity to the BAC. If GIA's independence or objectivity is impaired, the Group Head, Internal Audit will disclose, upon occurrence, details of the impairment including implications, to the BAC.

GIA will remain free from interference by any element in the Group, including in matters of audit selection, scope, procedures, frequency, timing, or report content. The following safeguards are in place:

- the Group Head, Internal Audit reports to the BAC Chair and administratively to the Group Chief Executive.

- the Group Head, Internal Audit presents GIA's budget and resourcing to the BAC for approval.
- the BAC approves the appointment and removal of the Group Head, Internal Audit whose remuneration is set by the Remuneration Committee (Comprised of independent Non-Executive Directors).
- the BAC Chair sets the objectives of the Group Head, Internal Audit and appraises their performance at least annually. The views of the Group Chief Executive are considered.
- GIA staff have no direct operational responsibility over any of the activities they review. Conflict of interest controls are in place to identify and mitigate any conflicts.
- GIA may initiate direct communication with any member of staff, examine any activity or entity of the Group and has full and unconditional access to all information and physical properties.
- GIA maintains regular, timely, open, and honest communication with the external auditors, in respect to risk assessment, audit plans, audit results and themes.
- where the Group Head of Internal Audit's tenure exceeds seven years, the BAC should on an annual basis, discuss the BAC Chair's assessment of the Group Head of Internal Audit's independence and objectivity.

6. REPORTING

6.1 Reporting to Board Committees

GIA regularly reports the results of its work at multiple levels within the organisation. The key reporting from GIA is as follows:

The Board Audit Committee

- Results of audit work – statistically and with details of the most adverse reports and most significant issues.
- Analysis of themes and trends from GIA's work, and their impact on the organisation's risk profile, including reporting on GIA's opinion on whether the organisation's risk appetite is being adhered to.
- An independent view of management's reporting on the risk management of the organisation, management's remediation plans and significant overdue audit issues.
- Any management responses to risk that may be unacceptable to the organisation.
- GIA's people and functional strategy, including GIA's mission, vision, and priorities.
- The performance of the audit plan and any significant changes to it.
- GIA's resource plan and budget.
- GIA's performance objectives
- The results of the quality assurance programme (at least annually) and external quality assessments (at least every five years).
- Other relevant reporting requirements in line with applicable regulations and auditing standards.

Other Board Committees

GIA tailors its reporting on the results of its work to other Board committees on the risk areas under their responsibility.

6.2 Reporting to senior management

GIA reports the results of its work to senior management as well as to various committees.

7. STANDARDS OF PRACTICE

All GIA staff are expected to comply with the Group code of conduct, and the requirements of the IIA Global Internal Audit Standards and any other material internal audit regulatory requirements. The standards of practice are embedded in GIA methodologies, policies, and procedures.

8. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)

8.1 Internal Quality Assurance (IQA)

GIA maintains a QAIP which assesses the efficiency and effectiveness of GIA's activities and identifies opportunities for improvement. This programme is overseen by the Group Head, Internal Audit, with oversight from the BAC.

The independent GIA Quality Assurance (QA) team operates an annual risk driven QA programme across the QA universe covering all GIA activities.

GIA also performs a self-assessment of the function on conformance with the IIA Global Internal Audit Standards, application of the principles of the CIIA Internal Audit Code of Practice and applicable mandatory regulatory requirements, on an annual basis. The results of the self-assessment, impact, and any actions to address identified conformance gaps are presented to the BAC annually.

The Head of GIA Quality Assurance will provide an independent report on the results of its work to the BAC at least annually.

8.2 External Quality Assessment (EQA)

GIA is also subject to an external assessment, at least every five years by an independent qualified reviewer, to review GIA's conformance with the IIA's Global Internal Audit Standards, the CIIA Internal Audit Code of Practice, and applicable mandatory regulatory requirements. This may take the form of periodic reviews of elements of the function, or a single review of the overall function.

The assessment includes a review of the efficiency and effectiveness of the internal audit activity in carrying out this Charter and meeting the expectations of stakeholders.

The Board Audit Committee:

- discusses with the Group Head, Internal Audit, the External Quality Assessment (EQA) plan, scope, and frequency, and approves the EQA plan.
- receives the EQA results, reviews, and approves the resulting action plans and timelines to complete the actions, and monitors action closure progress.

In evaluating GIA's performance, the BAC will consider the results of the internal quality assurance and improvement programme and external quality assessments.

9. RESPONSIBILITY

The Group Head, Internal Audit is responsible for reviewing this Charter, presenting it to the BAC annually for approval, and ensuring GIA operates in accordance with the Charter.