

Audit and Compliance Committee

Constitution and Terms of Reference

1. Membership

- 1.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination and Governance Committee in consultation with the Chairman. The Committee shall be made up of at least three members.
- 1.2 All members of the Committee shall be Non-Executive Directors who are determined by the Board to be independent and at least one of whom is considered by the Board to have recent and relevant financial experience. The Chairman of the Board will not be a member of the Committee.
- 1.3 Only members of the Committee and the Secretary have the right to attend Committee meetings. However, other individuals such as the Chief Executive, the Chief Financial Officer, the Group Chief Risk Officer, the Group Internal Audit Director, and representatives from Group and subsidiary company finance, risk and compliance functions may be invited to attend all or part of any meeting as and when appropriate. The Committee may co-opt any Non-Executive Director satisfying the requirements for membership to join the Committee for a meeting or any longer period. The Secretary shall inform the Board when any such co-option has taken place.
- 1.4 The engagement partner from the external auditors will be invited to attend meetings of the Committee on a regular basis.
- 1.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for two additional three-year periods, provided the Non-Executive Director remains independent, as determined by the Board, throughout the period of appointment.
- 1.6 The Board shall appoint the Chairman. In the absence of the Chairman, the remaining members of the Committee present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1 The Group Company Secretary and General Counsel or his nominee shall act as the Secretary.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be two members, at least one of whom has recent relevant financial experience.

4. Frequency of Meetings

- 4.1 The Committee shall meet at least four times a year at appropriate times in the financial reporting and audit cycle and otherwise as required.

5. Notice of Meetings

- 5.1 Meetings of the Committee shall be summoned by the Secretary at the request of any of its members or at the request of the external or internal auditors.

- 5.2 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of Meetings

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

- 6.2 Minutes of Committee meetings shall be circulated as soon as practicable to all members of the Committee and to all members of the Board.

7. Annual General Meeting

- 7.1 The Chairman shall attend the Annual General Meeting of the Company prepared to respond to any questions on the Committee's activities.

8. Duties

8.1. Financial Reporting

- 8.1.1 The Committee shall review and recommend to the Board for approval:
- 8.1.1.1 the draft financial statements, including significant financial reporting issues and judgements which they contain, of the Company and the Group. These financial statements shall include annual and half-yearly reports, interim management statements, preliminary results announcements and any other formal announcements relating to financial performance;
 - 8.1.1.2 summary financial statements;
 - 8.1.1.3 significant financial returns to regulators by the Company; and
 - 8.1.1.4 any financial information contained in other documents which require Board approval.
- 8.1.2 In carrying out its duties noted in 8.1.1, the Committee shall review and challenge where necessary:

- 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Group;
- 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
- 8.1.2.3 whether the Group has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- 8.1.2.4 the clarity of disclosure in the Group's financial reports and the context in which statements are made; and
- 8.1.2.5 all material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to audit and risk management).

8.2. Internal Controls and Risk Management (incorporating Regulatory Compliance, Money Laundering and Fraud)

The Committee shall:

- 8.2.1 keep under review the adequacy and effectiveness of the Group's internal control and risk management framework and systems, and of the Group's implementation and compliance with them, by:
 - 8.2.1.1 receiving regular reports from the Group Chief Risk Officer including:
 - 8.2.1.1.1 a summary of compliance with Group Policies; and
 - 8.2.1.1.2 a summary of key operational risks and other relevant matters;
 - 8.2.1.2 receiving regular reports from the Group Internal Audit Director giving an assessment of the Group's internal control environment; and
 - 8.2.1.3 receiving regular internal control summary reports from the external auditors.
- 8.2.2 receive and review the minutes of the ERM and regular reports from the Chairman of the Committee;
- 8.2.3 review and recommend to the Board for approval the statements to be included in the Annual Report & Accounts concerning internal controls and risk management.

Regulatory Compliance

The Committee shall:

- 8.2.4 review and assess the annual regulatory compliance plan;
- 8.2.5 receive regular reports from the Group Chief Risk Officer including a summary of the regulatory compliance activities for the period;
- 8.2.6 where appropriate, request the Group Chief Risk Officer to notify the FSA of any material internal control weaknesses or other issues;
- 8.2.7 review the Group's arrangements for the management of fraud risk; and
- 8.2.8 review the Group's systems and controls for the prevention of bribery.

Money Laundering

The Committee shall:

- 8.2.7 receive regular reports from the Group Chief Risk Officer on compliance with the relevant standards of the Financial Crime Policy.

8.3. Whistleblowing

- 8.3.1 The Committee shall review the Group's arrangements for its employees to raise concerns, in confidence, about possible impropriety in financial reporting or other matters falling within the Committee's remit. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

8.4. Internal Audit

The Committee shall:

- 8.4.1. monitor and review the effectiveness of the Group's internal audit function;
- 8.4.2 approve the appointment and termination of appointment of the Group Internal Audit Director;
- 8.4.3 consider and approve the remit of the Group internal audit function and ensure it has:
 - 8.4.3.1 adequate resources;
 - 8.4.3.2 appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards; and
 - 8.4.3.3 adequate standing and freedom from management or other restrictions;
- 8.4.4. review and assess the annual internal audit plan;
- 8.4.5. receive a report on the results of the work of the Group's internal audit function on a periodic basis;
- 8.4.6. review and monitor management's responsiveness to the findings and recommendations of the Group's internal audit function;
- 8.4.7 meet the Group Internal Audit Director at least once a year, without management being present, to discuss its remit, his remit, and any issues arising from the internal audits which have been carried out. In addition, the Group Internal Audit Director shall have direct access to the Chairman of the Board and to the Committee; and
- 8.4.8 monitor and review the liaison and co-ordination of work between the internal and external auditors.

8.5. External Audit

The Committee shall:

- 8.5.1 consider and make recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- 8.5.2 oversee the relationship with the external auditor including (but not limited to):
 - 8.5.2.1 approval of the remuneration of the external auditor, whether fees for audit or non-audit services, and satisfying itself that the level of fees is appropriate to enable an adequate audit to be conducted;
 - 8.5.2.2 approval of the terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.5.2.3 assessing annually the independence and objectivity of the external auditor taking into account relevant professional and regulatory requirements and the relationship with the external auditor as a whole, including the provision of, and level of fees for, any non audit services;
 - 8.5.2.4 satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Group (other than in the ordinary course of business);
 - 8.5.2.5 agreeing with the Board a policy on the employment of former employees of the external auditor, then monitoring the implementation of this policy;
 - 8.5.2.6 monitoring the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements; and
 - 8.5.2.7 assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process, including a report from the external auditor on its own internal quality procedures;
- 8.5.3 meet regularly with the external auditor, including:
 - 8.5.3.1 once at the planning stage before the audit and once after the audit at the reporting stage; and
 - 8.5.3.2 once, without management being present, to discuss its remit, the external auditor's remit, and any issues arising from the audit;
- 8.5.4. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.5.5. review the findings of the audit with the external auditor, including:
 - 8.5.5.1 a discussion of any major issues which arose during the audit;
 - 8.5.5.2 any accounting and audit judgements; and
 - 8.5.5.3 levels of errors identified during the audit;
- 8.5.6. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.7. review the external auditor's management letter and management's response to the findings and recommendations contained in the external auditor's management letter;
- 8.5.8 approve and review the implementation of a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter;

- 8.5.9 ensure co-ordination where more than one firm of auditors is involved; and
- 8.5.10 review the effectiveness of the audit.

8.6. Reporting Responsibilities

- 8.6.1 The Chairman shall report formally to the Board on all matters which fall within the Committee's remit.
- 8.6.2 The Committee shall compile a report to members of the Company on its activities, to be included in the Company's Annual Report & Accounts.

8.7. Other Matters

The Committee shall:

- 8.7.1 receive reports on material pending legal actions and opened litigations against or by any Group Company;
- 8.7.2 receive reports, by exception, on the Group's ongoing compliance with the requirements of the UK Listing Authority's Listing and Disclosure Rules;
- 8.7.3 approve the process to monitor compliance with Group Policies;
- 8.7.4 be provided by the Company with sufficient resources in order to carry out its duties;
- 8.7.5 be provided by the Company with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 8.7.6 at least once a year, review its own performance, constitution and terms of reference to ensure it operates effectively and recommend any changes it considers necessary to the Board for approval.

9. Authority

The Committee is authorised by the Board:

- 9.1 to seek any information it requires from any employee or director of the Group in order to perform its duties;
- 9.2 to obtain, at the Group's expense, external legal or other professional advice on any matter falling within its terms of reference;
- 9.3 to call on any employee to attend a meeting of the Committee as and when required; and
- 9.4 to report in the Annual Report & Accounts any disagreement between the Committee and the Board which cannot be resolved.

10. Relationship with the Audit Committees of the Principal Subsidiaries

10.1 The Committee shall:

- 10.1.1 approve the terms of reference of the audit committees of the Principal Subsidiaries;
- 10.1.2 receive and review the minutes of the meetings of the audit committees of the Principal Subsidiaries; and

10.1.3 receive and review reports on any other matters the chairmen of the audit committees of the Principal Subsidiaries wish to bring to the attention of the Committee.

10.2 The Chairman is authorised to attend any meetings of the audit committees of the Principal Subsidiaries.

Definitions

“Board”	The Board of Directors of the Company
“Chairman”	The Chairman of the Committee
“Committee”	The Audit and Compliance Committee of the Company
“Company”	Standard Life plc
“Group Company Secretary and General Counsel”	The Group Company Secretary and General Counsel of the Company
“ERMC”	The Enterprise Risk Committee of the Group
“Group”	The Company and its subsidiaries
“Group Company”	Any company within the Group
“Non-Executive Director”	A Non-Executive Director of the Company
“Principal Subsidiaries”	Standard Life Assurance Limited, Standard Life Investments Limited, Standard Life Assurance Company of Canada, Standard Life Employee Services Limited, Standard Life Wealth Limited
“Secretary”	The Secretary of the Committee