

BARCLAYS PLC

BOARD AUDIT COMMITTEE

TERMS OF REFERENCE

Approved by the Board with effect on and from 1 January 2019

1 Role

- 1.1 The role of the Barclays PLC Board Audit Committee (the 'Committee') is to review and monitor, among other things:
- The integrity of the Group's financial statements and related announcements
 - The effectiveness of the Group's internal controls
 - The independence and effectiveness of the internal and external audit processes
 - The Group's relationship with the external auditors
 - The effectiveness of the Group's whistleblowing procedures
- 1.2 The role of the Chair of the Committee is set out in his or her role profile, which forms part of Barclays Charter of Expectations.

2 Authority

- 2.1 The Committee is a committee of the Board of Directors (the 'Board') of Barclays PLC (the 'Company'), from which it derives its authority and to which it regularly reports.
- 2.2 The Committee has delegated authority of the Board in respect of the functions and powers in these Terms of Reference. The Committee may sub-delegate any or all of its powers and authority as it sees fit, including, without limitation the establishment of sub-committees to analyse particular issues or themes and to report back to the Committee.
- 2.3 The Committee is concerned with the business of the whole Barclays Group and accordingly its authority extends to all relevant matters relating to the Company, Barclays Services Limited and their business units and subsidiaries (together the 'Group') save to the extent that such matters are not material in the context of the Group as a whole, relate solely to Barclays Bank PLC ('BBPLC') or Barclays Bank UK PLC ('BBUKPLC') and/or their respective subsidiaries and fall solely within the remit of the terms of reference of the Board audit committee of BBPLC or BBUKPLC, as the case may be, in which event such matters shall be dealt with by such committee within the parameters set by this Committee.
- 2.4 The Committee has authority to investigate any matter relating to the Group. It also has authority to obtain any information as it may require from any Director, officer or employee of the Group.
- 2.5 The Committee may request a summary of material issues considered at any audit committees of the Group's Strategically Significant Subsidiaries and shall receive and review reports on any other matters referred by the chair of those committees.
- 2.6 The Committee has authority to engage independent counsel and other professional advisers at the expense of the Group, and to invite them to attend meetings.

3 Constitution and meetings of the Committee

- 3.1 **Membership** – Comprises at least three non-executive Directors of the Company appointed by the Board,

all of which should be independent. The Chair of the Board may not serve as a member of the Committee. Membership includes at least one member of the Board Risk Committee and Board Reputation Committee. The Committee as a whole shall have competence relevant to the banking sector and at least one member of the Committee should have significant recent and relevant financial experience.

- 3.2 **Duration of appointments** – Shall be for a period of up to three years which may be extended by a further two additional periods of up to three years, subject to the Director still meeting the criteria for membership of the Committee.
- 3.3 **Chair** – Shall be appointed by the Board. The Committee Chair does not have a casting vote.
- 3.4 **Secretary** – The Company Secretary or his/her nominee shall act as secretary to the Committee.
- 3.5 **Meetings** – Will be held a minimum of four times per year at appropriate times in the financial reporting and audit cycle and at any other time as the Committee's role and responsibilities require. Meetings will be convened by the Company Secretary at the request of Committee members, the Chair of the Group, the Group Chief Executive Officer, the external audit lead partner or the Group Chief Internal Auditor. The Chair of the Committee, and to a lesser extent the other members of the Committee, will maintain a dialogue outside of the formal meetings with key individuals involved in the Company's governance including the Board Chair, the Group Chief Executive Officer, the Group Finance Director, the external auditors, Group Chief Internal Auditor and the Board audit committees of each of BBPLC and BBUKPLC and their respective chairs.
- 3.6 **Notice of meetings** – Unless otherwise agreed by the Chair of the Committee, 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, any other person required to attend and all other non-executive Directors, no later than four working days before the date of the meeting.
- 3.7 **Quorum** – The quorum for meetings shall be two members, one of whom should normally be the Chair of the Committee or his/her appointed deputy. In the absence of the Chair of the Committee (or appointed deputy), the remaining members present shall elect one of themselves to chair the meeting.
- 3.8 **Minutes** – The Company Secretary or his/her nominee shall minute the proceedings and decisions of all Committee meetings. Draft minutes will be circulated promptly to all members of the Committee after a meeting. Once approved, the minutes will be circulated to all other members of the Board and attendees.
- 3.9 **Attendees** – Only the members of the Committee have the right to attend Committee meetings. However, the following will be expected to attend Committee meetings on a regular basis:
- The external auditors
 - Group Finance Director
 - Group General Counsel
 - Group Chief Internal Auditor
 - Group Chief Risk Officer
 - Group Chief Operating Officer
 - Group Financial Controller

There is an open invitation for the Group Chief Executive Officer and any non-executive Directors (including the Chair of the Board) to attend any Committee meeting with the agreement of the Chair of the Committee. By invitation of the Committee, any officer or employee of the Group or other person may also be invited to attend for a particular meeting or a particular agenda item.

4 Responsibilities of the Committee

The Committee will undertake the following tasks/functions for the Company and the Group as a whole:

- 4.1 **Financial reporting** – Monitor the integrity of the Group's financial statements, interim management statements, preliminary announcements and any other formal announcements relating to the Company's financial performance. In particular:

- (a) Review and, where appropriate, report to the Board on the significant financial reporting issues and estimates and judgements made in connection with the preparation of the Group's financial statements, interim management statements, preliminary announcements and any formal announcements relating to the Company's financial performance.
 - (b) Review and challenge where necessary the clarity, completeness and appropriateness of disclosures in the Group's financial statements and consider whether the disclosures made are set properly in context, including, without limitation, the going concern and viability statements to be made by the Board and the related information presented with the financial statements (including the strategic report and corporate governance statements relating to the audit).
 - (c) Review and approve all trading statements prior to public release.
 - (d) Review and challenge where necessary the significant accounting policies and practices of the Group, including as to their establishment, consistency and any changes to them.
 - (e) Consider whether the Group has adopted appropriate accounting standards and policies and, where necessary, made appropriate estimates and judgments.
 - (f) Review and challenge where necessary the methods used to account for significant or unusual transactions where accounting treatment is open to different approaches
 - (g) Review and monitor any significant adjustments arising from the audit.
 - (h) Review and challenge where necessary the Group's disclosure controls and procedures, including reviewing reports of the Group's Disclosure Committee.
- 4.2 **Narrative reporting** – Advise the Board on whether, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.
- 4.3 **Control issues** – Review the Report which identifies high-level control issues raised by all three lines of defence and classified as Critical under the Group's Enterprise Risk Management Framework's Risk and Issue Classification Matrix that require, or are subject to, remedial attention and summarises the actions being taken to resolve those issues. Review and monitor management's responsiveness in addressing control weaknesses, non-compliance with laws, regulations and internal policies and other weaknesses identified by BIA, regulators and the external auditors. The control aspects of operational risk are the responsibility of the Committee. The financial and capital implications of operational risk are the responsibility of the Board Risk Committee, while the Board Reputation Committee has oversight of conduct risk.
- 4.4 **Internal controls** – Provide assurance to the Board that executive management's control assurance processes are implemented and are complete and effective. In particular, review the Group's internal controls, including:
- (a) Review the appropriateness and completeness of the system of internal control.
 - (b) Review and approve the statements on internal controls to be included in the Company's Annual Report, prior to their endorsement by the Board and the external auditors.
 - (c) Enquire of the Group Chief Executive Officer and Group Finance Director as to 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, including receiving the annual fraud certification to support the annual fraud report required under s302(5)(b) of the Sarbanes Oxley Act 2002.
 - (d) Review any proposed changes to the internal controls systems of BBPLC or BBUKPLC as and when so requested by the Company's Chief Executive Officer.

4.5 **Internal audit** – Monitor and review the effectiveness, independence and objectivity of Barclays Internal Audit ('BIA'). In particular:

- (a) Review and approve the remit of BIA, including its Audit Charter (at Attachment 1) and undertake an annual review of the Audit Charter.
- (b) Ensure the right 'tone at the top' to ensure support for, and acceptance of, BIA at all levels of the Group. In particular, ensure the Group Chief Internal Auditor has direct access to the Chair of the Group and to the Committee and is accountable to the Committee.
- (c) Review and monitor the effectiveness of the work of BIA in the context of the Group's internal control and risk management systems and its performance against its agreed objectives and the Audit Charter.
- (d) At the request of the Group Chief Executive Officer, approve and review the appointment and, as necessary, the removal of Group Chief Internal Auditor.
- (e) Review, assess and approve the Audit Plan prepared by BIA, including any material changes to the Audit Plan.
- (f) Ensure BIA has the necessary resources and access to information to enable it to fulfil its mandate, including reviewing and approving its budget.
- (g) Review and monitor the coordination between BIA and the external auditors.
- (h) At least once a year, meet with BIA without executive Directors or executive management present.
- (i) Receive and review reports on the results of BIA's work on a periodic basis.
- (j) Review and monitor management's responsiveness in remedying BIA's findings and recommendations and any deficiencies identified by supervisory authorities related to the internal audit function.
- (k) Obtain an independent external assessment of BIA at an appropriate interval and at least once every five years. The Chair of the Committee will oversee and approve the appointment of the external assessor;

4.6 **External audit** – Oversee the Group's relationship with the external auditors and assess the effectiveness of the external audit process, taking into consideration relevant professional and regulatory requirements. In particular:

- (a) **General** – Maintain regular, timely, open and honest communication with the external auditors, ensuring the external auditors reports to it on all relevant matters to enable the Committee to carry out its oversight responsibilities. Monitor, and discuss with the external auditors, the Group's relationship with the external auditors and the working relationship, coordination and exchange of information between the external auditors and BIA. At least once a year, meet with the external auditors without executive Directors or executive management present. The Chair of the Committee shall also normally be available before each Committee meeting to meet the external auditors for private discussions.
- (b) **Appointment and tendering** – Review and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the external auditors. Recommend to the Board that the external audit is put out to tender at least as often as is required by applicable law, rules, regulations and best practice. If the Committee recommends considering the selection of possible new external auditors, initiate and oversee a fair tendering and selection process. Periodically assess the qualifications, expertise and resources of the external auditors. If the external auditors resign, investigate the issues giving rise to the resignation and consider whether any action is required.

- (c) **Remuneration and other terms of engagement** – Agree the remuneration to be paid to the external auditors in respect of audit and non-audit services to be provided and the other terms of engagement of the external auditors, including the terms of the engagement letter issued by the external auditors at the start of each audit.
- (d) **Annual audit cycle** – At the start of each annual audit cycle, ensure that appropriate plans are in place for the audit. Obtain from the external auditors in connection with any audit, a timely written report relating to the Group’s annual audited financial statements, including prompt notification of any significant audit findings and any significant problems encountered in carrying out the audit. Review, with the external auditors, the findings of their work. Review and monitor management’s responsiveness in remedying the external auditors’ findings and recommendations. Discuss with the external auditors any matters arising from the statutory audit that may have an impact on regulatory capital or regulatory disclosures. Review, and approve on behalf of the Board, the audit representation letters before signature. As part of the on-going monitoring process and at the end of the annual audit cycle, review and monitor the content of the external auditors’ management letter. At the end of the annual audit cycle, assess the effectiveness of the audit process, reporting to the Board if appropriate.
- (e) **Independence and objectivity, including the provision of non-audit services** – Assess, annually, the independence and objectivity of external auditors, taking into consideration relevant law, regulations and professional requirements and ethical standards for auditors. Agree the Group’s policy on the provision of non-audit services by the external auditors, and monitor the application of the policy (and the provision of those services considering the impact providing non-audit services may have on independence) and review and recommend to the Board, annually, changes to the policy. Agree with the Board the Group’s policy for the employment of former employees of the external auditors, and monitor the application of the policy. Monitor the external auditors’ compliance with the Ethical Standards for Auditors relating to, among other things, the rotation of audit engagement partners, the level of fees that the Group pays in proportion to the overall fee income of the firm, and other related regulatory requirements. Recommend to the Board the identity and replacement from time to time of the external audit engagement partners.

4.7 Whistleblowing

- (a) Oversee the Group’s whistleblowing policies and procedures, assess their integrity, independence and effectiveness and ensure management produce to the Board an annual report on the operation and effectiveness of the Group’s systems and controls in relation to whistleblowing.
- (b) Receive, semi-annually, a report from the Group Head of Compliance on whistleblowing matters, including of material instances of disclosure and reports to the FCA about each case the Group contested but lost before an employment tribunal where the claimant successfully based all or part of their claim on detriment suffered as a result of making a protected disclosure.
- (c) Ensure that management has appropriate arrangements in place to handle any type of whistleblowing disclosure by any person (including anonymous disclosures).
- (d) Review the adequacy and security of the Group’s arrangements and ensure that these arrangements allow effective assessment and escalation of concerns.

4.8 Regulatory reporting

- (a) Review arrangements established by management for compliance with regulatory financial reporting and best practice requirements including the requirements and recommendations of relevant regulatory or supervisory bodies.
- (b) Review any letters to the Board from the Group’s principal supervisors and regulators (including the PRA, FCA and Federal Reserve) on their risk assessments of Barclays and the associated management responses.
- (c) Review all reports required to be commissioned from the Group’s auditors or other firms so appointed by the PRA/FCA and also the minutes of any tri-lateral meetings between the Group,

the external auditors and the PRA/FCA, together with any other matters of significance arising during regular meetings with the PRA/FCA or arising with respect to returns and reports submitted to the PRA/FCA and the Group's other principal supervisors and regulators.

4.9 **Capital raising** – Receive, at each meeting during a period of due diligence in connection with the issuance or placement of ordinary shares in Barclays PLC, a report from the Chair of the Committee (or another nominated member in the Chair's absence) that confirmation (verbal or otherwise) has been received from the lead underwriter(s) that they are satisfied with the due diligence process.

4.10 **Litigation**

- (a) Receive and review regular reporting of outstanding litigation, investigation and competition ('Litigation') matters.
- (b) Review the Litigation Report and the proposed litigation statement for inclusion in the statutory accounts.
- (c) Have in place procedures for receiving evidence from external and internal lawyers relating to breaches of securities law, fiduciary duties or other similar violations.

4.11 **Committee effectiveness**

- (a) **General** – Conduct an annual self-assessment of the Committee's effectiveness and recommend any necessary changes to the Board. Consider whether or not the Committee receives adequate and appropriate support in fulfilment of its role and whether or not its current workload is manageable.
- (b) **Training** – Make available, via the Company Secretary, to new members of the Committee a suitable induction process and provide training and awareness to members of the Committee on an ongoing and timely basis.

5 **Reporting responsibilities**

5.1 **Reporting to the Board**

- (a) **General** – Report to the Board on how it has discharged its responsibilities and on any other matters referred to it by the Board. In doing so, identify any matters in respect of which it considers that action or improvement is needed, and make any recommendation it deems appropriate as to the steps to be taken.
- (b) **Meetings** – Following each meeting of the Committee, report formally (through the Chair of the Committee (or the chair of that meeting)) to the Board on its proceedings.
- (c) **Coordination with other committees** – Work and liaise as necessary with all other committees of the Board. Without limitation, the Committee should contribute to the information provided to the Board Remuneration Committee in setting incentive compensation and coordinate with the Board Reputation Committee in respect of that committee's role in reviewing forward-looking compliance reports and reports on regulatory relationships.

5.2 **Reporting to Shareholders**

- (a) **General** – The Committee should identify any shareholder views on audit issues and respond to any shareholder concerns.
- (b) **Annual General Meeting** – The Chair of the Committee, or a deputy chosen from the membership, should be present at the Annual General Meeting of the Company to answer questions, through the Chair of the Group, on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.

- (c) **Annual Report** – The Committee will compile a report of the work of the Committee in discharging its responsibilities for inclusion in the Annual Report, including:
- (i) the significant issues considered by the Committee relating to the financial statements and how these were addressed;
 - (ii) an explanation of how the external audit process responsibilities were carried out;
 - (iii) in the event of the Board not accepting the Committee's recommendation on the external auditors' appointment, reappointment or removal, a statement from the Committee explaining its recommendation and reasons why the Board has taken a different position; and
 - (iv) an explanation of how auditor independence and objectivity are safeguarded if non-audit services are provided by the external auditors.

The Committee has the right to publish in the Company's Annual Report, details of any issues that cannot be resolved between the Committee and the Board.

6 Governance and Resources

The Committee shall:

- 6.1 in its decision making, give due regard to any relevant legal or regulatory requirements, and associated best practice guidance, as well as to the risk and risk management implications of its decisions;
- 6.2 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary, who shall have independent access to the Chair of the Committee and to the services of Barclays Corporate Secretariat on Committee matters; and
- 6.3 have the power to engage independent counsel and other professional advisers at the expense of the Group and to invite them to attend meetings.

7 Amendments to Terms of Reference

The Committee shall:

- 7.1 report to the Board on how its responsibilities identified in these Terms of Reference have been discharged; and
- 7.2 review, on an annual basis, these Terms of Reference and may recommend to the Board any changes it considers necessary.

Barclays Corporate Secretariat
1 January 2019

The Internal Audit Charter

Introduction

It is the policy of the Board of Barclays PLC to maintain an independent internal audit function to undertake internal audit work throughout Barclays. This Charter for Internal Audit defines the purpose, authority and responsibilities of Internal Audit.

Purpose

The objective of Internal Audit is to assist the Board and Executive Management to protect the assets, reputation and sustainability of Barclays. This will be achieved through the provision of independent, objective, reliable, valued, insightful and timely assurance to the Board and Executive Management over the effectiveness of governance, risk management and control over current, systemic and evolving risks. Assurance will be provided in the context of the current and expected business environment, and in accordance with the International Professional Practices Framework and the Definition of Internal Auditing.

Organisation

To provide for its independence, all Internal Audit staff report to the Chief Internal Auditor who in turn reports functionally to the Board Audit Committee and administratively to the Group Chief Executive Officer. This seniority level within the organisation ensures the appropriate standing, access and authority to challenge the Executive.

The Board Audit Committee is responsible for the appointment, and as necessary, the removal of the Chief Internal Auditor.

The Board Audit Committee is also responsible for evaluating the performance of Internal Audit on a regular basis. In doing so, it identifies appropriate criteria for defining the success of Internal Audit, in addition to the delivery of the audit plan.

The Chair of the Board Audit Committee is accountable for:

- Recommending the remuneration of the Chief Internal Auditor to the Board Remuneration Committee
- Setting the objectives and appraising the performance of the Chief Internal Auditor, considering also the views of the Group Chief Executive Officer. This annual appraisal considers the independence, objectivity and tenure of the Chief Internal Auditor
- Assessing the Chief Internal Auditor's independence and objectivity if his/her the tenure as Chief Internal Auditor exceeds seven years

The remuneration of the Chief Internal Auditor and Internal Audit staff is structured in a manner such that it avoids conflicts of interest, does not impair their independence and objectivity and is not directly or exclusively linked to the short term performance of the organisation.

Authority

Internal Audit's authority is received from the Board Audit Committee with the endorsement of the Group Chief Executive Officer.

The Chief Internal Auditor and staff of Internal Audit are authorised to:

- Have unrestricted access to all information, functions, records, systems, property, and staff anywhere within Barclays, relevant to their role and may attend Executive Committee meetings

- Have uninhibited right of access to the Chair of the Barclays PLC, the Chair of the Board Audit Committee, other Board Committees as appropriate and to the Group Chief Executive Officer
- Allocate resources, set frequencies, select subjects, determine scopes of work, assess audit need and coverage and apply the techniques required to accomplish audit objectives
- Obtain the necessary assistance of staff in Barclays as well as other specialised services from within or outside Barclays.

The Chief Internal Auditor is invited to attend and observe all Board Audit Committee meetings, Barclays Executive Committee meetings and any other key management decision making fora.

Accountability

The Chief Internal Auditor will take reasonable steps to ensure that:

- The Internal Audit function is controlled effectively
- The function complies with the relevant requirements and standards of the regulatory system
- Any delegation of his/her responsibilities is to an appropriate person and these will be overseen effectively
- Information will be disclosed appropriately of which the FCA or PRA would reasonably expect notice.

Independence and Objectivity

Internal Audit staff will at all times be objective, constructive and not be influenced by personal, business or other issues, which might impair impartiality. Internal Audit 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 responsibility within the previous 12 months.

Where the Chief Internal Auditor has or is expected to have roles or responsibilities that fall outside of internal auditing, safeguards will be put in place to limit impairments to independence or objectivity.

Internal Audit staff will need to have sound judgement. This will require them to have appropriate skills, experience and expertise and to conduct their work with proficiency and due professional care.

Effective Risk Management, Compliance and Finance functions are an essential part of an organisation's corporate governance structure. Internal Audit is independent of these functions and is neither responsible for, nor part of, them. Internal Audit will include within its scope an assessment of their adequacy and effectiveness, and will exercise informed judgement when considering the results of their work.

Internal Audit staff will engage in continuing professional development. If the knowledge, skills and competencies required to perform an engagement are not available within Internal Audit, the Chief Internal Auditor will obtain alternative advice, assistance or resources.

The Chief Internal Auditor will attest annually on the independence of the internal audit function. If Internal Audit's independence or objectivity is impaired, the details of the impairment will be disclosed to the Chair of the Board Audit Committee.

Whilst Internal Audit staff should have sufficient knowledge to identify the indicators of fraud, they are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Internal Audit is prohibited from:

- performing any operational duties, including preparation of policies and procedures, for the Group;
- initiating or approving any accounting transaction external to the Group; and
- directing the activities of any member of staff not employed by Internal Audit, except to the extent such employees have been appropriately assigned to otherwise assist Internal Audit.

Scope

In setting its scope, Internal Audit forms its own risk based judgment on how best to segment the audit universe given the structure and risk profile of the organisation. The scope of Internal Audit also takes into account business strategy and is focused on key controls mitigating current, systemic and evolving risks to Barclays (including key corporate events), assessing the effectiveness of risk management and risk mitigation in the context of the current and expected business environment.

Internal audit achieves its purpose by assessing whether all significant risks are identified and appropriately reported by Management and the Risk function to the Board and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

Internal Audit also has within its scope:

- The risk and control culture of the organisation including assessing whether processes, actions and ‘tone from the top’ and observed behaviours across the organization are in line with the espoused values, ethics, risk appetite and policies of the organisation.
- Assessing whether Management has established and reviewed a risk appetite through the active involvement of the Board and Executive Management, and whether the risk appetite is embedded within Barclays activities, limits and reporting. Internal audit will report annually to the Board Audit Committee its conclusions on whether the organisation’s risk governance framework is being adhered to.
- Management’s control awareness (attitude and approach taken by all levels of management) and internal control, including management’s approach to addressing known issues.
- The processes and controls, including customer outcomes, supporting strategic and operational decision making.
- Whether information presented to the Board, its committees and Executive Management fairly represents the benefits, risks and assumptions associated with strategy and corresponding business plans.
- Whether Management is adequately designing and controlling products, services and supporting processes in line with customer interests and conduct regulation.
- The modeling and management of the organisation’s capital and liquidity risks.
- The processes followed by the organisation’s first and second line of defence as well as the quality of their work.

Internal audit determines the appropriate audit response and audit product for every audit need identified including: Standard audits, Targeted reviews, Third party audits, Change audits, Mergers & Acquisitions and Regulatory Agreed upon procedures. In addition, Internal Audit may carry out special investigations and undertake work required by regulators, or may apply discretion to validate remediation of Regulatory issues. When required, Internal Audit provides assurance to third parties on Barclays system of internal control in the form of ‘Third Party Attestations’ and follows internal procedures to mitigate the risk of providing such assurance.

Internal Audit may, within its remit undertake specific controls assurance work to independently validate progress or completion of large scale management remediation programmes and selected third party supplier operated controls. Individual objectivity is managed when assigning resources to such engagements and subsequent audits of the same topic.

In addition, as permitted under the standards of the Institute of Internal Auditors, the Chief Internal Auditor may direct non-audit services where the services have potential to improve the governance, risk management, controls processes and of control environment. These services will be appropriately included in the Internal Audit Plan and will include a clear strategy and timeline for migrating the responsibility for these services to management.

As permitted under the standards of the Institute of Internal Auditors, the Chief Internal Auditor can approve the outsourcing of Internal Audit activities, but not of the Function, on a limited and targeted basis, when there is a need of a specialised expertise and knowledge. Internal Audit should be able to explain the reasons for outsourcing audit activities to the Board Audit Committee.

All activities undertaken within and on behalf of Barclays fall within the scope of Internal Audit's remit. There are no restrictions on the scope of Internal Audit's work. Internal Audit activity must be free from interference in determining the scope of internal auditing, performing work and communicating results. The Chief Internal Auditor will disclose any such interference to the Board Audit Committee and discuss the implications.

Responsibilities

The Chief Internal Auditor, in the discharge of his or her duties, is responsible to the Board Audit Committee and to executive management for:

- Leading, developing and managing the execution of the Internal Audit strategy and business plans that align to Barclays Board approved Purpose, Values, Risk Appetite and Group Frameworks and Policies
- Developing and leading a high performing and sustainable audit function to ensure BIA's reputation, capability and independence within the Group is sustained as benchmarked against external best-practice standards of service quality, effectiveness and efficiency and which delivers value added assessment and reporting of the effectiveness of Barclays risk management controls and methodologies and their ability to respond to new, systemic and evolving risks in the context of the current and expected business environment
- Ensuring that Internal Audit staff have the skills and experience (including technical subject matter expertise) commensurate with the risks of the organisation and scale of operations. This may entail training, recruitment, secondment from other parts of the organisation or co-sourcing with external third parties. The Chief Internal Auditor will provide the Board Audit Committee with a regular assessment of the skills required to conduct the work needed, and whether the Internal Audit budget is sufficient to recruit and retain staff or procure other resources with the expertise and experience necessary to provide effective challenge throughout the organisation and to the Executive
- Maintaining an appropriate risk appetite to cover the material risks in line with the Enterprise Risk Management Framework, regulatory requirements and cyclical coverage through a flexible annual coverage programme
- Internal audit's judgment on the frequency and method of audit cycle coverage is to be presented to the Board Audit Committee for approval
- The Audit Plan is to be discussed with the Group Chief Executive Officer, executive management and presented to the Board Audit Committee for approval
- Maintaining the flexibility of the Audit Plan, Internal Audit maintains day to day interaction with key personnel across the business to remain alert for new and emerging risk. The audit plan is a risk based plan that is formally updated following any changes in Barclays risk profile, with approval sought from the Board Audit Committee for any requested changes to the plan
- Monitoring market conditions to be alert for new and emerging risks resulting from changes in current market forces, economies at risk and regulatory changes impacting the group's businesses or jurisdictions, Internal Audit will review the impact on existing audit plans and ensure where appropriate coverage is reprioritised and refocused
- Monitoring proposed significant strategic decisions, to ensure a timely and appropriate response is delivered for any proposed acquisitions, de novo start ups, business disposals, business transfers or mergers. Internal Audit will review the impact on existing audit plans and ensure where appropriate coverage is reprioritised and refocused
- Delivering the agreed internal audit plan through the issuance of audit reports, and other assurance, to management and to the Chair of the Board Audit Committee, in accordance with the internal audit methodology
- Identifying, analysing, evaluating and recording sufficient information during the execution of internal audit work to achieve the internal audit objectives. Audit results shall be communicated accurately and timely following the completion of audit work
- Provide accurate, transparent and timely reporting to the Group Executive Committee, Chair of the Board and / or Chair of other appropriate Board Committees as required. Specifically, provide periodic reports to the Board Audit Committee and/or Board Risk Committee including:
 - The summary status of the Audit Plan and the results of audit activities (at least quarterly).
 - A focus on significant control weaknesses and breakdowns together with root-cause analysis.
 - Any significant thematic issues identified across the organisation.
 - An independent view of Management's reporting on the risk management of the organisation, including a view on Management's remediation plans highlighting areas where there are significant delays.
 - A review of post-mortem and 'lesson learned' analysis for significant adverse events at the organisation.

- An assessment of the overall effectiveness of the governance, and risk and control framework of the organisation, and conclusions on whether the organisation's risk appetite framework is being adhered to (at least annually).
- Internal Audit's conformance with the Code of Ethics and the International Auditing Standards (at least annually).
- Monitoring follow-up action undertaken by management to remedy weaknesses identified by Internal Audit, forming a view on whether the action taken is sufficient, timely and controls introduced are operating as intended to mitigate the risk
- Maintaining an open, constructive and co-operative relationship with regulators, including in exceptional circumstances communicating significant issues to regulators in the event that management has not done so.
- Maintaining an open and constructive relationship with the first and second lines of defence which supports sharing of information relevant to carrying out their respective responsibilities
- Maintain regular, timely, open and honest communication with the appointed external auditors to share information and inform our risk assessment and audit plans. Meet with the external auditors without executive Directors or executive management present to discuss the External Auditor's current areas of focus / issues, key matters raised or to be raised at key governance committees and provide challenge to respective audit plans.

Standards of Practice

Internal Audit and all Internal Audit staff are expected to comply with The Barclays Way, policies and ethical standards; the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, (including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing and any other material regulatory requirements as pertains to Internal Audit.

Internal Audit plans and performs its assurance work to the standards and requirements set out in the Internal Audit methodology covering: annual planning; audit planning; audit execution; audit reporting; and post audit issues validation.

Subsidiary Internal Audit

The Chief Internal Auditors of the Subsidiary entities (including Barclays Bank UK PLC and Barclays Bank PLC) have a functional reporting line to the Chief Internal Auditor in addition to any local statutory or regulatory required reporting line to the local entity. Where necessary, Barclays subsidiaries will have their own audit charters, and the internal audit relationship between different Barclays entities will be governed by service agreements.

The Chief Internal Auditor considers the independence, objectivity and tenure of the Chief Internal Auditors of the Subsidiary entities as part of the appraisal process.

Quality Assurance and Improvement Programme

Internal Audit maintains a quality assurance and continuous improvement programme that covers all aspects of internal audit activity and continuously monitors its effectiveness. The quality assurance and improvement programme receives oversight from the Board Audit Committee. The independent Internal Audit Quality Assurance (QA) team operates an annual programme of review activity to sample all Internal Audit activity. The annual QA programme includes: 'in-flight' reviews of in-progress audit work; 'audit file' reviews sampling completed audit work; challenge of the annual planning process; cyclical, internal audit team conformance testing reviews of conformance to Barclays Policies and BIA processes; thematic reviews of other priority focus areas for Internal Audit; risk based reviews of high impact Internal Audit reports pre issue; and close involvement in major change activities across Internal Audit.

Internal Audit QA will self-assess conformance with the Standards and the Code of Ethics on an annual basis. This self-assessment is presented to the Board Audit Committee annually. Where full compliance with the IIA Standards or the IIA Code of Ethics is not achieved and where this impacts the overall scope of operation of internal audit activity, this will be explicitly disclosed to the Board Audit Committee including the principle(s) or rule(s) not conformed with, reasons and impact of the non-conformance. In evaluating the performance of Internal Audit, the Board Audit Committee will consider the results of the internal quality assurance and improvement programme. The disclosure

includes: the scope and frequency of the both the internal and external assessments, the qualifications and independence of the assessor(s) or assessment team including potential conflicts of interest, conclusions of the assessors and corrective action plans.

In addition, the Board Audit Committee obtains an independent and objective external assessment by a qualified reviewer, at least once every five years. This may take the form of periodic reviews of elements of the function, or a single review of the overall function.

Exceptions or Variations

Any exceptions or variations to the purpose, authority and responsibilities of Internal Audit must be approved in advance by the Board Audit Committee.

This Charter will be reviewed at least annually to ensure it remains current and in accordance with current procedures, standards and good practice.

Approved by:

Chair, Board Audit Committee

Dated: 1 January 2019

ANNEX TO THE BOARD AUDIT COMMITTEE TERMS OF REFERENCE

(Approved by the Board with effect on and from 1 January 2019)

BOARD AUDIT COMMITTEE ACTING AS A QUALIFIED LEGAL COMPLIANCE COMMITTEE

1. Constitution, meetings etc.

- 1.1 **Membership** - will comprise members of the Board Audit Committee of Barclays PLC (“the Company”).
- 1.2 **Quorum** - shall be three.
- 1.3 **Meetings** - The Committee shall meet contemporaneously with the audit committee meetings of the Company and on such other occasions as shall be necessary or appropriate to fulfil its functions as a Qualified Legal Compliance Committee. Each meeting will receive a report of any “material violations” prepared in accordance with 3 below.

The Chair of the Barclays Group and the Chair of the Committee may each request that a meeting should be held at any time. The Group General Counsel may request a meeting to be held at any time.
- 1.4 **Chair** - shall be appointed by the Board.
- 1.5 **Secretary** - the Group Secretary, and/or the Deputy Secretary or an Assistant Secretary, shall attend all meetings of the Committee.
- 1.6 **Minutes** - will be circulated to all members, the Group Chief Executive Officer and the Group General Counsel, and reports made to the Board following each meeting of the Committee.
- 1.7 **Attendees** - Attendees shall be those persons directed to attend by the Committee. Attendees are not members of the Committee and they may be collectively or individually requested to withdraw from meetings of the Committee if required to do so by the Chair of the Committee or any member of the Committee serving as Chair of the meeting.
- 1.8 **Advice** - the Committee shall have the power to engage independent counsel and other professional advisers at the expense of the Group, and to invite them to attend meetings.

2. Scope of authority

- 2.1 The Committee is a committee of the Board of the Company, to which Board it will report on a regular basis. The Committee is concerned with the business of the whole Barclays Group and its authority extends to all relevant matters relating to the Company and business groups and subsidiaries.
- 2.2 The Committee has authority to investigate any matters within its responsibilities and to obtain such information as it may require from any director, officer or employee of the Barclays Group.
- 2.3 The Committee, with respect to any matter arising under 3 below, has the authority and responsibility, acting by majority vote, to take all appropriate action, including notification of the U.S. Securities and Exchange Commission, if the Group fails to implement the recommendations proposed by the Committee in its capacity as a Qualified Legal Compliance Committee.

3. Responsibilities of the Committee

The prime function of the Committee is to investigate and take remedial action with respect to any reports of “material violations”.

The Committee shall:

- (i) establish written procedures for the confidential receipt, retention and consideration of reports of material violations;
- (ii) inform the Group Chief Executive Officer and the Group General Counsel of any report of evidence of a material violation (except where it is reasonably believed that such a communication would be futile);
- (iii) decide whether an investigation is necessary to determine whether in fact there is a material violation, and if so, to:
 - notify the full Board;
 - initiate an investigation, which may be conducted by the Group General Counsel or outside attorneys (retained pursuant to (1.8) above); and
 - retain such additional expert personnel as the committee deems necessary;
- (iv) at the conclusion of any investigation;
 - recommend, by a majority vote, that the Group implement an appropriate response to the evidence of a material violation; and
 - inform the Group Chief Executive Officer and the Group General Counsel and the Board of the results of the investigation and the appropriate remedial measures to be adopted.

As used in these terms of reference, a “material violation” shall include a material violation of U.S. federal or state securities laws or a breach of U.S. federal or state common law or statutory fiduciary duty, including malfeasance, nonfeasance, abdication of duty, abuse of trust and approval of unlawful transactions. A “material violation” shall also include any similar violation of any U.S. federal or state law.

Group Corporate Secretariat
1 January 2019