

## **Charter of the Audit Committee of the Board of Directors of SanDisk Corporation**

### **Purposes.**

The primary purposes of the committee are to oversee on behalf of SanDisk's board of directors: (1) the integrity of SanDisk's financial statements, (2) the appointment, compensation, qualifications, independence and performance of SanDisk's independent auditors, (3) SanDisk's compliance with legal and regulatory requirements, and (4) the performance of SanDisk's internal accounting, audit and financial controls.

The committee's function is one of oversight only and shall not relieve the responsibilities of SanDisk's management for preparing financial statements which accurately and fairly present SanDisk's financial results and condition, or the responsibilities of the independent auditors relating to the audit or review of financial statements.

### **Composition of the Committee.**

At Least Three Members. There shall be at least three board members serving on the committee, with a chair appointed by the board.

Committee Member Independence. The members of the committee shall be independent as required by the Nasdaq listing standards (the "listing standards") and applicable laws.

Limitation on Relationships. No member of the audit committee may be an "affiliated person" as defined in applicable SEC rules. As more fully set forth in the listing standards, independent directors must not have any current or past relationships with SanDisk which would interfere with their exercise of independent judgment or otherwise fail to meet the independence standard set forth in the listing standards.

Compensation. In compliance with applicable SEC rules, no member of the audit committee shall, other than in his or her capacity as a member of the audit committee, the board of directors or other board committee, (a) accept directly or indirectly any consulting, advisory, or other compensatory fee from SanDisk, or (b) be an affiliated person of SanDisk or any SanDisk subsidiary.

Financial Literacy. Each member of the audit committee shall be financially literate upon appointment to the committee, as such qualification is interpreted by SanDisk's board of directors in its business judgment pursuant to the listing standards. At least one member of the committee shall be an "audit committee financial expert" as defined in applicable SEC rules.

Service on Other Audit Committees. SanDisk does not limit the number of public company audit committees on which an audit committee member serves, provided that if a member does serve on more than 3 public company audit committees (including SanDisk's audit committee), the board shall determine that this simultaneous service would not impair the ability of the member to serve on SanDisk's audit committee.

Appointment of Audit Committee Members. Subject to the requirements of the listing standards, the board may appoint and remove committee members and the chair of the committee in accordance with SanDisk's bylaws. Committee members shall serve for such terms as may be fixed by the board, or at the will of the board if no specific term is fixed. Upon expiration of any

term or to fill any vacancy on the committee, the members of the committee shall be appointed by the board upon the recommendation of the nominating committee.

### **Selection and Review of Independent Auditors and Their Services.**

Overall Authority of Audit Committee to Select and Appoint Auditors. Pursuant to applicable SEC rules and the listing standards, the audit committee in its capacity as a committee of the board of directors of SanDisk shall be directly responsible for the appointment, compensation and oversight of the work of the independent auditors engaged by the audit committee for the purpose of preparing or issuing an audit report or related work. The independent auditors shall report directly to the audit committee. The audit committee's authority includes, without limitation, resolution of disagreements between management and the auditors regarding financial reporting.

Terms of Audit and Non-Audit Engagements. The committee shall have sole authority to, and must, pre-approve all audit, review and attest services and permissible non-audit services from the independent auditors and related fees and other terms of engagement of the independent auditors. The committee may confer with SanDisk management on these matters but may not delegate this responsibility to management. All approvals of non-audit services on behalf of the audit committee shall be promptly reported to an appropriate officer of SanDisk having primary responsibility for the SEC reports filed by SanDisk so that these approvals may be timely disclosed as required by SEC rules.

Delegated Pre-approval Authority. To the extent permitted by applicable SEC rules, the committee is authorized from time to time to delegate to one or more of its members, or to establish reasonably detailed pre-approval policies and procedures pursuant to which management, shall have the authority to engage permissible services from the independent auditors, provided that all such decisions to engage any permissible service shall be reported to the full committee at its next scheduled meeting.

Prohibited Non-Audit Services: The audit committee shall not engage the independent auditors for non-audit services that would impair the independence of the auditors as described in Section 210.2-01(c)(4) of SEC Regulation S-X.

Annual Quality Control Review. The committee will obtain and review annually a report by the independent auditors describing the firm's internal quality-control procedures; and any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm or by any inquiry or investigation by governmental or professional authorities, within the preceding 5 years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

In addition, the committee's annual review of the independent auditors will also include:

- review and evaluation of the lead partner of the independent auditors for SanDisk's account.
- evaluation of such other matters as the committee may consider relevant to the engagement of the auditors, including views of SanDisk management and internal finance employees, and whether the audit partners or auditing firm itself should be rotated, and other staffing matters incident to the review and audit of SanDisk's financial statements.

Independent Auditors' Partner Rotation and Conflicts. The audit committee shall not engage an accounting firm to perform audit, review or attest services unless (i) such accounting firm is independent within the meaning of SEC Regulation S-X and other applicable SEC rules; and (ii) the audit partners on such engagement are in compliance with the audit partner rotation

requirements of applicable SEC and AICPA rules and regulations and applicable listing standards.

### **Annual Financial Reporting.**

In connection with the audit of each fiscal year's financial statements, the committee will:

- Discuss Financial Statements with Management: review and discuss the audited financial statements, related accounting and auditing principles and practices, and internal controls assessment with appropriate members of SanDisk's management.
- Critical Accounting Policy Report: timely request and receive from the independent auditors the report required in connection with the annual audit pursuant to applicable SEC rules concerning (a) all critical accounting policies and practices to be used, (b) all alternative treatments of financial information within generally accepted accounting principles and practices related to material items that have been discussed with SanDisk management, including (i) ramifications of the use of such alternative disclosures and treatments, and (ii) the treatment preferred by the independent auditors, and (c) other material written communications between the independent auditors and SanDisk management, such as any management letter or schedule of unadjusted differences.
- SAS 61 Review: discuss with the independent auditors the audited financial statements and the matters required to be discussed by Statement on Auditing Standards No. 61, including such matters as (1) the quality, as well as acceptability, of the accounting principles applied in the financial statements, (2) new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions, (3) the selection, application and effects of critical accounting policies and estimates applied by SanDisk, (4) issues raised by any "management" or "internal control" letter from the auditors, difficulties encountered in the audit, disagreements with management, or other significant aspects of the audit, and (5) all material off-balance sheet arrangements, contingent and other obligations and relationships with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition or results of SanDisk and are required to be reported under SEC rules.
- Review of MD&A: review with appropriate management and auditor representatives SanDisk's intended disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in SanDisk's annual report on Form 10-K.
- Obtain ISB No. 1 Disclosure: receive from the independent auditors a written disclosure and statement of all relationships between the auditors and SanDisk consistent with Independence Standards Board Standard No. 1.
- Dialogue with Auditors on Independence: actively discuss with the auditors any disclosed relationships or services that may impact the objectivity or independence of the auditors.
- Review of Audit and Non-Audit Fees: obtain from the independent auditors a statement of the audit fees and other categories of fees billed for the last fiscal year which are required to be disclosed in SanDisk's proxy statement for its annual meeting under the SEC's proxy rules, and consider whether the provision of any non-audit services is compatible with maintaining the auditors' independence.
- Recommend Filing of Audited Financial Statements: recommend whether or not the audited financial statements should be included in SanDisk's Annual Report on Form 10-K for filing with the SEC.

## **Quarterly Financial Reporting.**

The committee's quarterly review will normally include:

- Quarterly Review: a review of the quarterly financial statements of SanDisk and the results of the independent auditors' review of these financial statements.
- Discussion of Significant Matters with Management: management's analysis of significant matters which relate to (1) the selection, application and effects of critical accounting policies and estimates applied by SanDisk, (2) accounting changes, judgments or extraordinary items relating to the financial statements, (3) the status of any new, proposed or alternative accounting or financial reporting requirements or methods, and (4) all material off-balance sheet arrangements, contingent and other obligations and relationships with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition or results of SanDisk and are required to be reported under SEC rules.
- MD&A: SanDisk's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in SanDisk's quarterly report on Form 10-Q.
- Earnings Press Release: press release announcing earnings.
- Reports of Financial Issues: published reports, regulatory or accounting initiatives, or communications from employees, government agencies or others, which raise significant issues concerning SanDisk financial statements or accounting policies.
- Other Financial Guidance: financial information and earnings guidance provided to the analysts and the public, and to rating agencies, which may be undertaken on a general basis and need not include advance review of such issuance of financial information or guidance.

## **Other Functions.**

Annual Review of this Charter: The committee will review and reassess the adequacy of this charter annually and recommend any proposed changes to the board.

Disclosure and Internal Controls: The committee will periodically review with management SanDisk's disclosure controls and procedures and internal controls for financial reporting purposes as defined in applicable SEC rules.

Other Reviews. The committee, as the committee may consider appropriate, may discuss and review with the full board of directors, SanDisk management, internal or outside legal counsel, or the independent auditors any other topics relating to the purpose of the committee which may come to the committee's attention, including:

- Officer Certification: certifications from SanDisk's chief executive officer and chief financial officer which must accompany or be filed with SanDisk's periodic reports, including any report concerning internal controls required to be made by the signing officers and any significant internal control deficiencies or other matters which are required to be reported to the committee in connection with the certifications.
- Code of Ethics: the status and implementation of a code of ethics as defined in applicable SEC rules for SanDisk's chief executive officer and senior financial officers, and a business conduct and ethics code applicable to all SanDisk employees as required by the listing standards.

Complaints and Anonymous Submissions: the committee shall establish and maintain procedures for (A) the receipt, retention, and treatment of complaints received by SanDisk regarding

accounting, internal accounting controls, and auditing matters, and (B) the confidential, anonymous submission by SanDisk employees of concerns regarding questionable accounting or auditing matters.

Related party Approvals. As required by the listing standards, the audit committee shall review and approve all transactions between SanDisk and a “related party,” as such term is defined in the listing standards.

### **Meetings, Reports and Resources of the Committee.**

Quarterly and Other Meetings. The committee will meet at least quarterly. The committee may also hold special meetings or act by unanimous written consent as the committee may decide.

The committee, to the extent required by the listing standards and as it may otherwise determine to be appropriate, will meet in separate executive sessions with the remainder of the board of directors, chief financial officer, controller or principal accounting officer, and representatives of the independent auditors, and may meet with other SanDisk employees, agents or representatives invited by the committee.

Procedures. The committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with this charter, the bylaws or the listing standards. The chairperson or majority of the committee members may call meetings of the committee. A majority of the authorized number of committee members shall constitute a quorum for the transaction of committee business, and the vote of a majority of the committee members present at a meeting at which a quorum is present shall be the act of the committee, unless in either case a greater number is required by this charter, the bylaws or the listing standards. The committee shall keep written minutes of its meetings and deliver copies of the minutes to the corporate secretary for inclusion in the corporate records.

Reports. The committee will timely prepare the audit committee report required to be included in SanDisk’s annual meeting proxy statement, and report to the board on the other matters relating to the committee or its purposes, as required by the listing standards, applicable federal law or SEC rules.

The committee will also report to the board annually the overall results of the annual review of the independent auditors and their independence.

Committee Access and Resources. The committee is at all times authorized to have direct, independent access to the independent auditors and to SanDisk’s other directors, management and personnel to carry out the committee’s purposes. The committee is authorized to communicate in confidence with any of these individuals.

The committee is authorized to conduct investigations, and to retain, at the expense of SanDisk, independent legal, accounting, or other professional consultants selected by the committee, for any matters relating to the purposes of the committee. SanDisk shall provide for adequate funding, as determined by the audit committee, for payment of compensation to the independent auditors for their audit and review reports, and to advisers engaged by the audit committee.

Nothing in this charter is intended to preclude or impair the protection provided in Section 141(e) of the Delaware General Corporation Law for good faith reliance by members of the committee on reports or other information provided by others.