

# TERRA MAURICIA LTD

Terms of reference for the  
Audit and Risk Committee

For the future. From 1838

**terra**



## 1. Constitution

- It is hereby established an Audit and Risk Committee (the "Committee") that shall assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.
- The Committee should not perform any management functions or assume any management responsibilities. It provides a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the Board.
- The Committee should mainly make recommendations to the Board for its approval or final decision.
- The membership, resources, responsibilities and authorities (composition, functions and operation) of the Committee to perform its role effectively, are stipulated in these terms of reference, which may be amended by the Board as and when required.
- The Committee is constituted in terms of the requirements of sound corporate governance practices and operates within that framework.

## 2. Membership

- 2.1 The members shall consist of a minimum of three directors appointed by the Board, the majority of whom shall be non-executive directors and (where possible) shall be independent non-executive directors. A least one member and preferably the Chairperson of the Audit and Risk Committee shall have significant and relevant financial experience, preferably supported by a professional accounting qualification. The members shall be appointed by the Board, on the recommendation of the Corporate Governance Committee in consultation with the Chairperson of the Audit and Risk Committee.
- 2.2 The Board shall appoint a chairperson from the non-executive members of the Committee.
- 2.3 The Chairperson of the Board shall not be eligible to be appointed as chairperson of the Committee.
- 2.4 The Chairperson shall hold office until the next Annual Meeting. He/she shall be re-eligible.
- 2.5 The Board shall have the power at any time to remove any member from the Committee and to fill any vacancy created by such removal.

## 3. Secretary

The Company Secretary, or its representative, shall be the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

## 4. Responsibilities of the Committee

The Committee shall carry out the duties below for the parent Company, major subsidiaries and the Group as a whole, as appropriate.

### 4.1 Auditors and external audit

- The Committee shall put to tender and make recommendations regarding the rotation of the audit services contract, as per current legislation. Several firms should be screened and the Committee should obtain proposals to enable it to arrive at its recommendation. The Committee shall also ensure that the signing partner of the external auditors be rotated every five years.
- The Committee will, on an on-going basis:
  - i. Evaluate the independence and effectiveness of the external auditor(s) and consider whether any non-audit services rendered by such auditors impair their independence;
  - ii. Evaluate the performance of the external auditor(s);
  - iii. Consider and make recommendations on the appointment, re-appointment or removal of the external auditor(s), and any questions of resignation or dismissal of the auditor(s);
  - iv. Discuss and review, with the external auditor(s) before the audit commences, the auditor(s) engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fee, and ensure co-ordination (where more than one audit firm is involved) and maintenance of a professional relationship between them;
  - v. Negotiate procedures, subject to agreement, beyond minimum statutory and professional duties - there are certain minimum non-negotiable procedures required from the external auditors;
  - vi. Agree to the timing and nature of reports from the external auditor(s) and review their proposed audit opinion;
  - vii. Consider any problems identified with going concern, statement of internal control or reservations arising from the audit, and discuss any matters the auditor(s) may wish to discuss (in the absence, where requested by the Committee, of executive directors, and any other person who is not a member of the Committee);
  - viii. Make suggestions to problem areas that the audit can address;
  - ix. Consider any accounting treatments, significant unusual transactions, or accounting judgements, that could be contentious;
  - x. Identify key matters arising in the current year's management letter and satisfy itself that these are being properly followed up;
  - xi. Consider whether any significant ventures, investments or operations are not subject to external audit;
  - xii. Review overall audit role, explore objectives, minimise duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money; and
  - xiii. Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.

#### 4.2 Financial statements, quarterly and annual reports

The Committee will examine and review the quarterly and annual financial statements, the accompanying reports to shareholders, the preliminary announcement of results and any other announcement regarding the Company's or Group's results or other financial information to be made public, prior to submission and approval by the Board, focussing particularly on:

- The implementation of new systems;
- Tax and litigation matters involving uncertainty;
- Any changes in accounting policies and practices;
- Major judgmental areas;
- Significant adjustments resulting from the audit;
- The basis on which the Company has been determined a going concern;
- Capital adequacy;
- Internal control;
- Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
- The efficiency of major adjustments processed at year end;
- Compliance with the financial conditions of loan covenants; and
- Reviewing special documents such as prospectuses as and when prepared.

The Committee will review the annual report and accounts taken as a whole, to ensure they present a balanced and understandable assessment of the position, performance and prospects of the Group and the Company and provide the information necessary for shareholders and other stakeholders to assess the Company's and the Group's performance, business model and strategy.

#### 4.3 Internal control and internal audit

An important role of the Committee will be to set up, monitor and supervise the effective function of the internal audit, ensuring that the roles and functions of the external audit with internal audit are sufficiently clarified and co-ordinated to provide an objective overview of the operational effectiveness of the Company's and the Group's systems of internal control and reporting. This will include:

- Evaluating the performance of internal audit;
- Reviewing the internal audit function's compliance with its mandate as approved by the Committee;
- Ensuring that the Head of the internal audit function has direct access to the Board and the Committee Chairpersons and is accountable to the Committee;
- Reviewing the effectiveness of the Group's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems;
- Considering the appointment, dismissal or re-assignment of the Head of the internal audit function;

- Reviewing and approving the internal audit charter (if applicable), internal audit plans and internal audit's conclusions regarding internal control;
- Reviewing the adequacy of corrective action taken in response to significant internal audit findings;
- Reviewing significant matters reported by the internal audit function;
- Reviewing the objectives and the operations of the internal audit function;
- Assessing the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources;
- Reviewing the co-operation and co-ordination between the internal and external audit functions and co-ordinating the formal internal audit work plan with external auditors to avoid duplication of work;
- Reviewing significant differences of opinion between management and the internal audit function;
- Maintaining proper and adequate accounting records;
- Evaluating the independence and effectiveness of the internal auditors;
- Controlling the overall operational and financial reporting environment;
- Reviewing the Company's statement on internal control systems prior to endorsement by the Board, and in particular:
  - i. the procedures for identifying business risks and controlling their impact on the company;
  - ii. the Company's policies for preventing or detecting fraud;
  - iii. the Company's policies for ensuring that the Company complies with relevant regulatory and legal requirements;
  - iv. the operational effectiveness of the policies and procedures;
- Considering other relevant matters referred to it by the Board;
- Safeguarding Group's assets against unauthorised use or disposal; and
- Directing and supervising investigations into matters within its scope, for example, evaluations of the effectiveness of the Company's internal control, significant transactions not directly related to the Group's normal business, cases of employee fraud, misconduct or conflict of interest.

#### 4.4 Risk management

- Review, with the assistance of legal advisers, the status of any legal matter that could have a significant impact on the Group's business;
- Review executive management reports detailing the adequacy and overall effectiveness of the Company's and Group's risk management function and its implementation by management, and reports on internal control and any recommendations, and confirm that appropriate action has been taken;

- Review the risk philosophy, strategy and policies recommended by the executive management and consider reports by the executive management. The Committee will ensure compliance with such policies, and with the overall risk profile of the Company and the Group. Risk in the widest sense includes market risk, credit risk, liquidity risk, operation risk and commercial risk, which together cover detailed combined risks such as:
  - i. interest rate risk;
  - ii. country risk;
  - iii. counterparty risk, including provisioning risks;
  - iv. currency and foreign exchange risk;
  - v. technology, including IT risk;
  - vi. price risk;
  - vii. climate and disaster recovery risk;
  - viii. pandemic risk;
  - ix. political risk;
  - x. prudential risk;
  - xi. reputational risk;
  - xii. competitive risk;
  - xiii. legal risk;
  - xiv. compliance and control risks;
  - xv. sensitivity risks, e.g. environmental, health and safety;
  - xvi. concentration of risks across a number of portfolio dimensions;
  - xvii. investment risk;
  - xviii. asset evaluation risk; and
  - xix. other risks appropriate to the business which may be identified from time to time.
- Review the adequacy of insurance coverage;
- Review risk identification and measurement methodologies;
- Review the adequacy and effectiveness of the risk management system;
- Liaise with the Board in respect of the preparation of the Committee's report to shareholders as required.

The Committee, in carrying out its duties under these terms of reference, will have due regard for the principles of governance and code of best practice as contained in the National Code of Corporate Governance for Mauritius (2016).

## 5. Reporting and accountability

- 5.1 The Chairperson (or, in his/her absence, an alternate member) of the Committee shall account to the Board for its activities and make recommendations to the Board concerning the adoption of the quarterly and annual financial statements and any other matters arising from the above responsibilities.
- 5.2 The Chairperson (or, in his/her absence, an alternate member) of the Committee shall attend the Annual Meeting to answer questions concerning matters falling within the ambit of the Committee.

## 6. Authority of the Committee and resources available to it

The Committee, in carrying out its tasks under these terms of reference:

- 6.1 Is authorised to investigate any activity within its terms of reference;
- 6.2 May require other employees of the Company or the Group to attend meetings or parts of meetings;
- 6.3 May consult with and seek any information it requires from any employees, and all employees shall be required to co-operate with any request made by the Committee in the course of its duties;
- 6.4 Shall at least once a year meet with external auditors without any executive member of the Board in attendance; and
- 6.5 Shall at least once a year, if the Chairperson deems it necessary, meet with the internal auditors without any executive member of the Board in attendance.

## 7. Meetings

The Committee, in carrying out its tasks under these terms of reference:

- 7.1 Meetings of the Committee will be held as frequently as the Committee considers appropriate, but it will normally meet not less than four times a year and will focus on risk management at each of its meetings.
- 7.2 Outside of the formal meetings, the Committee Chairperson will maintain a dialogue with key individual involved in the Group's governance, including the Boards' chairpersons, the CEOs, the Finance Directors, the external audit partner and the head of the internal audit.
- 7.3 The Board or any member thereof, including members of the Committee, the external auditors, and the Head of internal audit may call further meetings.
- 7.4 Reasonable notice of meetings and of the business to be conducted shall be given to the members of the Committee. The Chairperson of the Board, the Chief Executive, executives and managers responsible for finance, the Head of internal audit and the external audit partners shall have the possibility to make proposals as necessary on such business. The notice of meetings shall, other than under exceptional circumstances, be forwarded to each member of the Committee not less than four working days prior to the date of the meeting.

## 8. Quorum

The quorum for decisions of the Committee shall be any two members of the Committee present throughout the meeting of the Committee, one of which shall be an independent director.

## 9. Attendance

- 9.1 The Group Chief Finance Officer, the Chief Executive, audit partners in charge of the external and internal audit functions shall be invited to attend and participate in meetings of the Committee. They shall have unrestricted access to the Chairperson or any other member of the Committee as is required in relation to any matter falling within the remit of the Committee.
- 9.2 The Chairperson, at his/her discretion, may invite other executives to attend and to be heard at specific meetings of the Committee.
- 9.3 No attendee shall have a vote at meetings of the Committee.

## 10. Minutes and Proceedings

- 10.1 The Committee secretary shall take minutes of meetings, including the names of those present and in attendance. These minutes shall be reviewed and approved by the members of the Committee.
- 10.2 The minutes of all meetings of the Committee, or summaries thereof, shall be submitted to the Board at the immediately following Board meeting. The agenda for each such Board meeting shall provide an opportunity for the Chairperson of the Committee to report orally on any matters of importance as well as on the Committee's findings and shall recommend actions.
- 10.3 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Company's constitution regulating the meetings and proceedings of directors and committees.

## 11. Remuneration

- 11.1 Having regard for the functions performed by the members of the Committee in addition to their functions as directors and in relation to the activities of the Committee and pursuant to the specific power conferred upon the Board by the constitution of the Company, members of the Committee shall be paid such special remuneration in respect of their appointment as shall be fixed by the Board.
- 11.2 The Chairperson of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.
- 11.3 Such special remuneration in terms hereof shall be in addition to the fees payable to directors.



## 12. General

- 12.1 The Committee, in carrying out its tasks under these terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- 12.2 The Committee shall give due consideration to laws and regulations, the Code of Corporate Governance, SEM Listing Rules and any other applicable rules, as appropriate.
- 12.3 The Committee shall be responsible for the coordination of the internal and the external auditors.
- 12.4 The Board will ensure that the Committee will have access to professional advice both inside and outside the Company in order to perform its duties.

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