

**CAUDAN**  
DEVELOPMENT



# **AUDIT & RISK MONITORING COMMITTEE CHARTER**

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## 1. OBJECTIVES

The Audit and Risk Monitoring Committee (“the Committee” or the “AC”) has been established to assist the Board in

- 1.1 the discharge of its duties relating to the overall control aspects of Caudan Development Limited (“the company’ or “CDL”) and its subsidiaries (collectively the “Group”), including the safeguarding of assets, the monitoring of internal control processes, and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards and
- 1.2 setting up risk mitigation strategies and to assess and monitor the risk management process of the Group and to advise the Board on risk issues.

This Charter is posted on the company’s website.

## 2. COMPOSITION

- 2.1. The AC shall comprise of a minimum of 3 members, all of which shall be non-executive directors. At least one of the members shall be independent with recent and relevant financial experience. All members shall have a broad understanding of the business and economic environment, of financial and business risks and of the country’s legal and statutory infrastructure. The Chairperson and the members of the Committee shall be appointed by the Board on the recommendation of the Remuneration, Corporate Governance and Ethics Committee.
- 2.2. The Chairperson of the Committee shall be an independent non-executive director.
- 2.3. The Chairperson of the Board, the Chief Executive Officer or any executive director shall not be a member of the AC. He/she shall attend only by invitation.
- 2.4. The Board may at any time remove member/s from the Committee and fill any vacancy/ies created by such removal.
- 2.5. The Company Secretary of the Board shall be the Secretary of the Committee.
- 2.6. The Chairperson and members of the Committee shall have the discretion to co-opt any person when deemed appropriate.

## 3. MEETINGS

- 3.1. A meeting of the Committee may be called by any member of the Committee or by the Secretary, but in any event the Committee shall meet on a quarterly basis.
- 3.2. The quorum for the meetings of the Committee shall be two members (at least one of whom shall be an independent director) present throughout the meeting. A member may participate in a meeting of the Committee by telephone and be counted in the quorum.
- 3.3. The Chairperson of the AC may in case of absence designate an alternate. In case of absence of the Chairperson and where no alternate has been designated, the Remuneration Corporate Governance and Ethics Committee or the Chairperson of the Board shall appoint an independent director to chair the meeting.

- 3.4. Notice of each meeting, confirming the venue, date and time together with and agenda of the items to be discussed and supporting documents where appropriate shall be forwarded to each member of the Committee and to each other person entitled to attend (if appropriate) in a timely manner to enable full and proper consideration to be given to the issues.
- 3.5. The Committee may request any officer or employee to attend any meeting and provide pertinent information as necessary.
- 3.6. The Secretary shall keep appropriate records of all meetings of the Committee with minutes of the proceedings. The Secretary shall circulate minutes of any meeting of the Committee to all members of the Board, unless in the opinion of the Committee chairperson, it would be inappropriate to do so. Where minutes are not available for circulation, the Chairperson of the Committee should report at the Board meeting and inform Board members of all matters discussed and decisions taken at the AC meeting.

#### 4. ROLES AND RESPONSIBILITIES

- 4.1. The roles and responsibilities of the AC are fixed by the Board and the scope of the authority is as follows:
  - 4.1.1. Operating within the terms of its Charter.
  - 4.1.2. Ensuring the attendance of officers at meetings, as required.
  - 4.1.3. Having unrestricted access to the Group's management, employees and relevant information in order to perform its duties and investigating any activity within its terms of reference.
  - 4.1.4. Ensuring procedures are established for dealing effectively with concerns of the Group's employees in respect of accounting, internal control and auditing matters.
  - 4.1.5. Ensuring procedures are established for dealing effectively with complaints received in respect of accounting, internal controls and auditing matters.
  - 4.1.6. Requiring investigation of specific financial transactions before Board approval where the AC and/or Management considers it necessary.
  - 4.1.7. Executing any other cognate duties by delegation of the Board.
  - 4.1.8. Seeking internal and external legal or other professional advices; securing the attendance at meetings of outsiders with relevant expertise and experience if it reasonably considers this necessary, at the Company's expense and subject to the Board's approval.
  - 4.1.9. Reviewing the operational and compliance risks and the actions taken to mitigate them.
- 4.2. The roles and responsibilities of the AC in respect of the Group's internal controls, financial reporting, and compliance with laws and regulations as well as the working relationship of the Committee with both external and internal auditors are defined below:
  - 4.2.1. Auditors and External Audit
    - Recommend to the Board on the appointment and retention of external auditors.
    - Evaluate the independence and effectiveness of the external auditor and assess whether any non-audit services rendered by the auditors significantly impair their independence.
    - Discuss and review with the external auditors, the engagement letter, the terms, nature and scope of the audit function, procedure and engagement, the audit fee, and ensure maintenance of a professional relationship.

- Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- Agree to the timing and nature of reports from the external auditors.
- Consider any problems identified in going concern or statement of internal control.
- Identify key matters arising in the current year's management letter and satisfy itself that these are being properly followed up.
- Review overall audit role, explore objectives, minimize duplication, discuss implications of new auditing standards and ensure that the external audit fee will sustain a proper audit and provide value for money.
- Meet the external auditors whenever deemed appropriate to discuss audit matters concerning the Group.

#### 4.2.2. Financial Statements

The Committee will examine and review the annual financial statements and quarterly interim financial statements as well as the reports contained therein focusing on the under mentioned points, prior to submission and approval by the Board:

- The implementation of new systems.
- Tax and litigation matters involving uncertainty.
- Any changes in accounting policies and practices.
- Major judgemental areas.
- Significant issues 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.
- Reviewing special documents such as prospectuses as and when prepared.

#### 4.2.3. Internal Control and Internal Audit

The responsibility of the Committee includes the monitoring and supervision of the effective function of the Internal Audit. The Committee shall also ensure that the roles and functions of the external audit and the internal audit are clearly defined and co-ordinated to provide an objective overview of the operational effectiveness of the companies' systems of internal control and reporting.

This will include:

- reviewing the effectiveness of the companies' internal control systems;
- assessing and approving internal audit's conclusions with regard to internal control;

- reviewing all matters reported by the internal audit function and assess whether the corrective actions taken in response to internal audit findings are adequate;
- assessing the significant differences of opinion between management and the internal audit function;
- maintaining proper and adequate accounting records;
- controlling the overall operational and financial reporting environment;
- directing and supervising investigations into matters within its scope, such as evaluations on the effectiveness of the companies' internal control, cases of employee fraud, misconduct or conflict of interest; and
- meeting the internal auditor whenever deemed appropriate to discuss audit matters concerning the Group.

#### 4.2.4. Risk Monitoring

The responsibility of the Committee includes the monitoring of the risk management process.

This will include:

- oversee the development of an effective risk management framework for the Group by implementing rigorous internal processes and controls which identify, monitor, measure and report different types of risks;
- review the principal risks, including credit, market, liquidity, and reputational risks and the actions taken to mitigate them;
- review regular information on risk exposures and risk management activities, and make appropriate recommendations to the Board;
- ensure that senior executives receive appropriate training with regard to the risks facing the Group and the techniques for managing those risks;
- set risk exposure limits, and delegation and authorisation procedures;
- ensure that clear lines of responsibility and accountability exist and are enforced throughout the organization; and
- ensure that the Group complies with all the relevant laws, regulations and codes of business practice.

## 5. REMUNERATION

Having regard to the functions performed by the members of the Committee, in addition to their functions as directors, in relation to the activities of the Committee, members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to directors.

The Chairperson of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.

## 6. OTHER PROVISIONS

### 6.1. Professional advice

The Board has an agreed procedure whereby members of the Committee are able to seek independent professional advice, should the need arise. The professional services procured will be at the Company's expense and prior approval of the Chairperson is required.

### 6.2. Access to information

The Committee shall have access to sufficient resources in order to carry out its duties, including access to the Company Secretariat for assistance as required.

### 6.3. Reporting

6.3.1. The Chairperson (or in his/her absence, any designated member) of the Committee shall report to the Board on the Committee's deliberations at the next Board Meeting.

6.3.2. The Committee will make recommendations to the Board concerning the adoption of the final and interim financial statements and in respect of major internal audit findings as well as any other matters arising from the above responsibilities.