



<b>GraceKennedy Limited Policy Document</b>	
Policy Name	<b>AUDIT COMMITTEE TERMS OF REFERENCE</b>

1. **Mandate**

The Audit Committee shall be responsible for assisting the Board of Directors in the oversight of the:

- i) Reliability and integrity of the accounting principles and practices, financial statements, and other financial reporting,
- ii) Internal audit functions of the Company and the Group,
- iii) Risk management functions and processes of the Company and the Group,
- iv) Qualifications, independence, and performance of the external auditors of the Company,
- v) System of internal controls and procedures established by Management and reviewing their effectiveness,
- vi) Group's compliance with legal and regulatory requirements.

2. **Composition**

The Committee shall be appointed by the Board from the directors of the Company and shall comprise no more than 6 or less than 3 members all of whom shall be non-executive directors who are financially literate and the majority of whom are identified by the Board as independent. The Board shall appoint one member as Chairman and at least one member of the Committee shall be a Financial Expert, that is, a person with the following attributes:

- i) An understanding of financial statements and applicable accounting Principles,
- ii) The ability to assess the general application of such principles in connection with accounting for estimates, accruals and reserves,
- iii) Experience in preparing, auditing, analyzing, or evaluating financial statements that present accounting issues of a breadth and level of complexity generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience actively supervising one or more persons engaged in such activities;
- iv) An understanding of internal controls and procedures for financial reporting,
- v) An understanding of Audit Committee functions.

3. **Responsibilities**

With respect to the Company or, as otherwise required in compliance with regulations in respect of entities within the Group, the duties of the Committee shall include the following:

(A) **Financial Reporting**

- i) To review the audited annual financial statements and the quarterly financial results of the Company and Group, including accompanying reports and recommend the same for adoption by the Board of Directors and for submission to the Stock Exchanges and other regulators as may be required,
- ii) To review the Group's operating, financial and accounting policies and practices,
- iii) To review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and their impact on financial reports.

In discharging its duties for reviewing financial statements and reporting, the Committee does not provide any expert or special assurance as to financial statements concerning compliance with laws, regulations or generally accepted accounting principles. It is the responsibility of the Company's management to prepare consolidated financial statements that are complete and accurate and in accordance with International Financial Reporting Standards (IFRS), and it is the responsibility of the external auditor to audit those financial statements. The Committee's responsibility in this regard is one of oversight and review.

B **Internal Control**

- i) To review the Group's system of internal control (including financial, operational, compliance, information systems and risk management) and make recommendations to the Board,
- ii) To meet with the Company's Auditors at least once in every year and more often as required to discuss the Annual Audited Financial Statements and other audits conducted of the Company's operations and internal control weaknesses or other observations identified from the same and otherwise to carry out its mandate,
- iii) To meet with the Chief Audit Executive of the Company or other officer or employee acting in a similar capacity and with other members of management, at regular intervals, and in accordance with the established GK Group Audit Committee meeting schedule, to discuss the effectiveness of the internal control procedures established,
- iv) To meet with the Group Chief Risk and Compliance Officer of the Company or other officer or employee acting in similar capacity and other members of management at least twice in every year and more often as required to conduct strategic reviews of the company's risk assessment, risk appetite, risk management policies and procedures and the major financial and other risks and exposures affecting the Group and to ensure the monitoring and control of such risks and exposures,

- v) To meet with the Chief Information Officer of the Company or other officer or employee acting in a similar capacity, at least two times in every year and more often as required to discuss the Information Technology strategy for the Group, related risks and exposures and internal control procedures and processes established to manage and mitigate these.

C External Audit

- i) To make recommendations to the Board for the appointment, reappointment or termination of the appointment of the external auditors and to approve the remuneration and terms of engagement of the external auditors,
- ii) To review with the external auditors the scope of their audit and to review and evaluate their performance,
- iii) To review the external auditors' management letter and management's response,
- iv) To review any significant findings made by the external auditors and managements' proposed response, and ensure that steps are taken to address these findings,
- v) To consider the independence and objectivity of the external auditors and any potential conflicts of interest, and to monitor the effectiveness of the audit process,
- vi) To review policies for the provision of non-audit services by the external auditor biennially and, where applicable, the framework for the pre-approval of audit and non-audit services,
- vii) To oversee the resolution of disagreements between management and the independent auditor regarding financial reporting,
- viii) To report to the Board any matter, which it considers is in need of improvement or review, and to make recommendations regarding steps to be taken,
- ix) At least annually, evaluate the independent auditor's qualifications, performance and independence, including that of the lead partner,
- x) Review with the independent Auditor the following : (a) Alternative treatment of financial information within generally accepted accounting principles related to material items that have been discussed with management etc (b) Other material written communication between the independent auditor and management,
- xi) Set clear hiring policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account, and ensure the policies comply with any regulations applicable to the Company.

D Internal Audit

- i) To review and approve the Group Internal Audit charter,
- ii) To review and approve the annual internal audit plan, and plan changes (post-approval)

- iii) To ensure that the annual audit plan addresses key areas of risk and that there is appropriate co-ordination with the external auditor,
- iv) Meet with the Chief Audit Executive at regular intervals and in accordance with the established GK Group Audit Committee meeting schedule to discuss any matters that the committee or the Chief Audit Executive believe should be discussed,
- v) To ensure that High Risk findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately mitigate the risks identified in a timely manner,
- vi) To receive at minimum on a semi-annual basis,
  - a) The summary of risks which have been accepted by the respective Boards, and any relevant updates.
  - b) List of Open Regulatory and Compliance Issues to ensure that these are being reviewed, discussed and appropriately acted on to mitigate the risks identified in a timely manner.
- vii) To endorse the appointment of or any changes in the appointment of the Chief Audit Executive,
- viii) To ensure that the Chief Audit Executive has direct access to the Senior Management and subsidiary Audit Committees.

E Compliance

- i) To obtain regular updates from the Chief Audit Executive and the Group Chief Compliance Officer and Senior Legal Counsel, regarding compliance matters that may have a material impact on the Company's financial statements or compliance policies,
- ii) To obtain updates from Group General Counsel & Chief Corporate Secretary and the Chief Security Manager, at least twice in every year and more often as required, on material issues that may impact the Group's financial statements or compliance policies,
- iii) To review management reports of any regulatory examinations or audits and correspondence with regulators or government agencies which raise material issues regarding the Company's financial statements, accounting policies and practices, risk management practices or compliance with laws and regulations affecting the businesses within the Group and to ensure that steps are taken to address all weaknesses detected.

F Other assigned functions

- i) To undertake on behalf of the Group Chairman or the Board such other related tasks as the Group Chairman or the Board may from time to time entrust to it,
- ii) To review the composition, powers, duties and responsibilities of other Audit Committees within the Group and to receive and review quarterly reports on fraud and irregularities in the Group and the treatment of these incidents as well as other assigned functions, issues of concern or exceptional items,

- iii) To receive and review reports twice annually from the Chairman of the Subsidiary Audit Committees,
- iv) Monitoring of the Code of Ethics and Guidelines for Business Conduct for appropriateness and compliance,
- v) Review policies and procedures regarding transactions between the Company and connected parties. (See Delegation of Authority Policy- Related Party Transactions).

4. **Whistleblowing Communication Process**

The Audit Committee must establish and implement procedures for receipt, retention, and treatment of complaints received by the Group regarding fraud, accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

5. **Continued Education and Self Evaluation**

The Board of Directors should ensure that there are Company-specific educational programmes that are developed and conducted in-house for members of the Audit Committee. The members of the Audit Committee should attend at least one Company-specific in-house educational training during the Company's financial year.

The Committee may carry out annual self-examinations aimed at determining whether it has fulfilled its responsibilities. In so doing it may also seek input from the full Board of Directors, Internal and External Auditors.

6. **Secretary**

The Group General Counsel & Chief Corporate Secretary or his/her nominee shall act as the Secretary of the Committee. The Agenda and papers for the meetings will normally be circulated to the Committee at least seven days before the meeting.

7. **Frequency of meetings**

The Committee shall meet at regular intervals at least four (4) times per year.

8. **Quorum**

The quorum shall be three (3) members.

9. **Reports to the Board of Directors**

The Committee Secretary shall circulate the minutes or extracts thereof of meetings of the Committee and its sub-committees to all members of the Board where so instructed by the Audit Committee.

The Audit Committee Chairman will provide a report to the GK Board of Directors at the Board meeting which follows the Audit Committee meeting or on a quarterly basis.

10. **Authority**

- i) The Committee shall have the right of direct access to, and complete and open communication with, the Company's management and internal

and external auditors and may obtain advice from internal legal, accounting or other advisors,

- iii) The Committee may form and delegate authority to sub-committees of its members when appropriate,
- iv) The Committee is authorized to from time to time obtain outside legal or independent professional advice and to secure the attendance of outsiders with relevant experience and expertise at meetings if it considers this to be necessary,
- v) In discharging its duties and responsibilities, the Committee may direct that the independent auditors or internal auditors examine or consider a specific matter or area and report to the Committee on the findings of such examination. The Committee may direct that the independent auditors or internal auditors perform supplemental reviews or audits as the Committee deems desirable.

11. **Annual Review of the Terms of Reference and Activities**

The Committee shall review annually, its Terms of Reference and its own effectiveness and recommend to the Board any changes it may consider necessary. Where the Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on action needed to address the issue or to make improvements.

The Committee shall prepare a report on the Committee's review and discussion of matters with management and the independent auditors, for inclusion in the Company's Annual Report to shareholders.

The Board will review the Committee's activities and its Terms of Reference at least annually. The Board may from time to time make any changes it deems necessary to the Committee's Terms of Reference and issue such guidelines as it may deem necessary.

12. **Convening of Meetings**

Meetings of the Committee may be called by the Chair of the Committee or at the request of any two members of the Committee.