

TERMS OF REFERENCE RISK MANAGEMENT AND AUDIT COMMITTEE (RMAC)

1.0 Overall Purpose and Objectives

The RMAC assists the Board in fulfilling its supervisory responsibilities, with the following specific duties:

- (i) review the financial reporting process, the system of internal control and management of business financial risks;
- (ii) Review the Projects Operational Risks, and measures taken to mitigate all risks
- (iii) the Company's external audit process for monitoring compliance with laws and regulations as well as its own code of business conduct,
- (iv) Review the work of the Internal Auditor, considering all Internal Audit Reports and its applications.

2. SCOPE OF RESPONSIBILITIES

The RMAC will cover the Sotravac Group of companies.

3. AUTHORITY

The Board authorizes the RMAC and any member of the Committee, within the scope of its responsibilities, to:

- Seek information it requires from any employee and all employees are directed to co-operate with any request made by the RMAC
- External parties; to obtain outside legal or other professional advice when required to execute the audit function
- Ensure the attendance employees at meetings as appropriate.

4. ORGANISATION Membership

The RMAC comprises of three members of the Board of Directors

- All members of the Committee shall have a working familiarity with basic finance and accounting practices, and at least one member of the Committee shall have accounting or related financial management expertise.
- The majority of members should be independent of management.
- The chairman of the audit Committee will be nominated by the Chairman of the Board
- The Chairman of the Board of Directors and members of management team shall not be members of the Audit and Risk Committee.
- Members will be appointed for three-year term of office, renewable.
- A quorum for any meeting will be two members.
- The secretary of the audit Committee shall be a person nominated by the Board.

5.0 Attendance at Meetings

The RMAC may invite such other persons (General Managers, financial manager, head of internal audit, etc.) to its meetings, as it deems necessary.

-The internal and external auditors should be invited to make presentations to the audit Committee as appropriate.

-Meetings shall be held not less than thrice a year.

-Special meetings may be convened as required.

-Internal auditors or the external auditors may request to meet the audit Committee if they consider that it is necessary.

-Minutes of the proceedings of all meetings will be compiled and circulated to members within a fortnight following the meeting.

-Committee members have fiduciary duties to disclose any conflict of interest in a particular matter being discussed.

6.0 ROLES AND RESPONSIBILITIES of the RMAC:

6.1 Control Environment

- Evaluate whether management is setting the appropriate "**control culture**" by communicating the importance of internal control and ensuring that all employees have an understanding of their roles and responsibilities.
- Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
- Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.
- Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal control .
- Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- Review any legal matters which could significantly impact the financial statements.

6.2 Annual Financial Statements

- Review the annual financial statements and determine whether they are complete and consistent with the information known to Committee members, assess whether the financial statements reflect appropriate accounting principles.
- Obtain explanations from management and internal and external auditors on whether: Actual financial results varied significantly from budgeted or projected results,

- Changes in financial ratios and relationships in the financial statements are consistent with changes in the Company's operations and financing practices,
- There are any significant or unusual events or transactions.
- The Company's financial and operating controls are functioning effectively.
- Pay particular attention to complex transactions such as restructuring charges and derivative disclosures.
- Focus on judgmental areas, for example those involving valuations of assets and liabilities, warranty product or environmental liability, litigation reserves, and other commitments and contingencies.
- Meet with management and the external auditors to review the financial statements and the results of the audit.
- Gain an understanding of the current areas of greatest business and financial risk and how management are managing these effectively
- Review regularly the Risk register (prepared by management) and ensure through internal audit reports that the risks are reviewed on a regular basis.

6.3 Risk Management

Review with management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks and ensure that risks identified are being monitored.

The RMAC would request the responsible officers to present the Projects Risks and the eventual financial Impact

Safeguard the Company's assets and investments

Support business objectives and sustainability. Business sustainability under normal as well as adverse operating conditions

6.4 Internal Audit /External Audit

- Discuss and validate scope of duties of the Internal Audit function on an annual basis and recommend their fees.
- Review the activities and organizational structure of the internal audit function and ensure no unjustified restrictions or limitations are made.
- Review the qualifications of internal audit personnel.
- Review the effectiveness of the internal audit function.
- Meet separately with the head of internal audit to discuss any matters that the Committee or auditors believe should be discussed privately.
- Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis.
- Ensure that management responds to recommendations made by both the Internal and External Auditors.
- Review the external auditors' proposed audit scope and approach and ensure that there is no unjustified restrictions or limitations
- Review the performance of the external auditors.

- Consider the independence of the external auditor,
 - Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis.
 - Ensure that management responds to recommendations by the external auditors.
- Compliance with Laws and Regulations

6.5 Compliance Issues

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any fraudulent acts or non-compliance.
- Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements.
- Review the findings of any examinations by regulatory agencies. Compliance with the Board's Code of Conduct, Policy and Decisions
- Obtain regular updates management regarding compliance. Reporting Responsibilities
- Regularly update the Board about Committee activities and make appropriate recommendations.
- Ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the business.
- If necessary, institute special investigations and, if appropriate, hire special counsel or experts to assist.