



**Audit, Risk and Compliance Committee Charter**  
**Sakari Resources Limited**

Adopted by the Board 19<sup>th</sup> November 2014

# **Sakari Resources Limited**

## **Audit, Risk and Compliance Committee Charter**

### **1. Introduction**

Sakari Resources Limited (the “Company”) is an unlisted public company registered in Singapore. In the spirit of good governance and maintaining transparency, the Board of Directors of the Company (the “Board”) has established the Audit, Risk and Compliance Committee (the “Committee”) to assist the Board to fulfil its responsibilities in relation to the accounting and financial reporting practices, internal control, the management of risk and the compliance with laws and regulations of the Company and its subsidiaries (collectively referred to as the “Group”).

The Committee makes recommendations to the Board and does not have any power to commit the Board or management to these recommendations, except as delegated by the Board. The Committee has unrestricted access to executives and management of the Group, all books and records of the Group, and to the external auditors (with or without management), and to obtain independent advice from external third parties as deemed appropriate in order to fulfil its purpose and undertake its duties.

The Committee is also intended as an effective forum for the auditor to communicate in a confidential way about the Group’s financial reporting, internal control, compliance or risk management, as well as provide a forum for early identification and discussion of such issues in an uninhibited fashion.

### **2. The Committee**

#### **2.1. Composition**

- The Committee will comprise at least 2 members.
- Committee members will be non-executive directors of the Company.
- At least one member will be financially literate, having the ability to interpret financial reports.
- The Board will appoint one of these members as Chairman of the Committee. The Chairman of the Committee must not be the Chairman of the Board.

#### **2.2. Appointment, resignation and removal**

- Members are appointed to the Committee by the Board.
- If a member resigns, retires or is removed from the Board, that member ceases to be a member of the Committee.
- A member may resign or may be removed from the Committee by the Board, and the Board will appoint the successor to such member.

## **2.3. Meeting**

### **2.3.1. Notice of Meeting, Quorum and Voting**

- Any member of the Committee, the Board, the Chief Executive Officer, or the external auditor may call a Committee meeting.
- Notice of a meeting of the Committee confirming date, time, venue and agenda must be given to each of the members in writing at least seven calendar days (inclusive of the day of notice) prior to the day of the meeting. Such notice may be in the form of letter, email or facsimile message. The notice will include relevant supporting papers for the agenda items to be discussed.
- A waiver of notice must be given by all members. The presence of a member at the meeting shall be deemed to constitute a waiver on his part.
- In the absence of the Chairman of the Committee, the members will elect one of their number as chairman for that meeting.
- The quorum for any meeting of the Committee shall be no less than half of the number of members. In the case where there are two members in the Committee, quorum will be two members.
- Each member has one vote. Decisions of the Committee shall be determined by a majority of votes. The Chairman does not have casting vote. In the case where there are two members in the Committee, the decision shall be consensus.

### **2.3.2. Frequency**

- The Committee will meet as frequently as required but not less than 4 times a year to review and discuss the quarterly results and the full year financial results and audit reports.

### **2.3.3. Minutes of Meeting**

- Minutes of proceedings and resolutions of the Committee meetings will be kept by the secretary.
- Minutes will be distributed to all Committee, after the Chairman of the Committee has given the preliminary approval.
- Minutes, agenda and supporting papers will be made available to any director upon request to the secretary, provided no conflict of interest exists.

## **2.4. Secretary**

- The Company Secretary of the Company will be the secretary of the Committee, unless otherwise determined by the Committee.

## **2.5. Duty to the Board**

- The Chairman of the Committee, or delegate, will report to the Board following each meeting of the Committee.
- The Committee will prepare for approval by the Board any relevant report that may be proposed for inclusion in the annual report. The Committee will also update to the

Board any other public disclosure of the Group on the subject matter relating to the Committee's responsibilities.

- Before implementing any of the following proposals, the Board may ask the Committee to review the proposal and recommend in relation to:
  - adoption and signing of the financial and non-financial statements;
  - external disclosures regarding director-related party transactions;
  - key policies governing risk management, internal control, internal audit and procurement;
  - material litigations and claims;
  - appointment of external auditor and the key terms of appointment; and
  - appointment of the internal auditor and the key terms of appointment.

## 2.6. Resources

- Where the Committee considers it necessary or appropriate in order to fulfil its responsibilities, the Committee will be entitled to:
  - access all books and records of the Group;
  - draw on the expertise and resources of any employee of the Group, the internal auditors and external auditors; and
  - select and engage an external adviser or external service provider involving, where appropriate, advisers that are 'independent' in the sense that they are not usual service providers to the Company.
- In this context "independent" refers to the restrictions on relationships between the advisers providing the advice and management / directors and/or third parties that might affect the adviser's capacity to provide zealous representation and advice to the Committee and should be determined in a way that is consistent with the Committee's approach to audit independence.
- The Committee is entitled to direct any special investigation or study that the Committee considers appropriate and to consult any independent expert that the Committee considers appropriate to carry out its duties. The Company bears the costs of such investigation or consultations.

## 2.7. Advice and Attendance by Invitation

- The Committee may, if considered appropriate, invite any management team member, advisors, or any other individual to attend meetings of the Committee, either on a case by case basis, or on a regular basis.
- The Committee is entitled to call on and use any employee or member of the management team of the Company (and its subsidiaries) to the extent that the Committee considers appropriate to assist the Committee to carry out the Committee's role and responsibilities.

### 3. Roles and Responsibilities

The roles and responsibilities of the Committee are to engage in the pro-active oversight of the Group's financial reporting, risk management, internal audit remit, sustainability reporting and disclosure processes. The Committee is not responsible for the day-to-day tasks involved in ensuring the accuracy of the accounts, or managing of risks, sustainability matters, internal audit function or disclosures. That is the role of management. However, relying on the external auditor and management of the Company, the Committee is expected to exercise a high level of due diligence in relation to the method of preparation and accuracy of the financial and non-financial reports, especially those which may be released to the public.

#### 3.1. External Reporting and Disclosures

The Committee will review and advise the Board with regard to external reporting and disclosures. In particular, the Committee will

- Review and assess the appropriateness of the Group's accounting policies and principles. Any significant changes to such policies and principles will be reviewed and assessed by the Committee. To ensure that the Committee can carry out this duty effectively, management is required to inform the Committee of:
  - any changes in accounting policies or their application during the reporting period;
  - whether the methods chosen by management are consistent with applicable accounting standards, and
  - the methods used to account for unusual transactions, for which there may be no specific accounting standard, including management's reasoning in determining that method.
- Review and assess any significant estimates and judgments in financial reports. To ensure that the Committee can carry out this duty effectively, management should inform the Committee of the method and process used in making material estimates and judgments, including management's reasoning in determining that method.
- The Committee may seek the opinion and views of external auditors in relation to that choice or method relating to accounting policies adopted by the management.
- Review and assess the processes used by management to monitor and ensure compliance with laws, regulations, accounting standards and other requirements relating to external reporting of financial and non-financial information by the Company.
- Review and assess information from external and internal auditors that may affect the quality of financial or non-financial reports.
- Review any financial reports, non-financial reports, and directors' reports that the Company proposes to distribute to shareholders and/or other external parties with particular emphasis on the accuracy and completeness of information and key disclosures, changes from prior periods, and important judgment questions impacting the overall integrity of the information.
- Based on the assessment by the Committee, recommend to the Board whether the financial and non-financial statements should be signed.

### **3.2. Related Party Transactions (Interested Party Transactions)**

The Committee will review and monitor related party and interested party transactions, and assess their propriety using standards of best practice. The Committee will

- Ensure that the Group complies with all relevant laws and regulations in respect to director-related and/or interested party transactions.
- Review the reports of the Chief Financial Officer, Internal Audit and the external auditor(s) relating to director-related and/or interested party transactions.
- Recommend to the Board all external disclosures regarding director-related and/or interested party transactions.

### **3.3. Internal Audit**

The Committee will review and assess key areas relating to the internal audit of the Group. The Committee will

- Review the internal auditor's mission, charter and resources.
- Communicate the Committee's expectations to the internal auditor in writing.
- Review and assess the scope of the internal audit and the internal auditor's audit plan and work program, as well as the systems in place to monitor and evaluate the effectiveness of the internal auditor.
- Monitor and assess the progress of the internal audit and any implications that may arise for the control environment.
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations.
- Oversee the co-ordination of the internal and external auditors.
- Ensure that the internal auditor reports directly to the Chief Executive Officer and the Committee.
- At least annually, meet with the internal auditor without the presence of management.

### **3.4. Internal Control and Internal Monitoring**

The Committee will review and assess the Group's processes for internal control and performance monitoring. In particular, the Committee will

- Review and assess Group's processes for internal control, and its adequacy.
- Ensuring that an appropriate internal control framework is established and maintained, including systems for:
  - incurring and recording liabilities and expenses, and arranging for payment;
  - recording, monitoring and maintaining assets;
  - managing and investing liquid funds;
  - measuring financial performance of individual employees, groups and business units, and monitoring their performance against budget.
- Review and assess non-compliance with laws, regulations, policies and standards, including issues relating to fraud and theft.
- Review and provides recommendations on issues relating to material litigation and claims.

- Review and provide recommendation to the Board on the Group's Governance Policies and related policies, as well as review and approve any related procedures as may be mandated by the Board.
- Meet periodically with management, and external auditors to discuss the Group's control environment, including the processes for improvement in place.

### 3.5. Risk Management

The Committee will review and assess internal processes for determining, monitoring and assessing key risk areas. In particular, the Committee will

- Review and assess the Group's processes for identifying, analyzing, evaluating risks and implementing effective risk responses.
- Review and assess risk management objectives and frameworks as a tool for the Group to achieve its strategic objectives and mitigate against threats thereto.
- Review and assess adequacy of reporting risks.
- Ensure that the Group has a system in place for unusual and/or high risk transactions and that the Committee assesses this system;
- Review and assess financial risk management issues, such as important judgments and accounting estimates, litigation and claims.
- Meet periodically with management, and external auditors to discuss the Group's risk management environment, including the processes for improvements in place.

### 3.6. External Audit

The Committee and the Board will select and appoint an external auditor in accordance with **Annexure 1**.

The Committee will review and assess key areas relating to the external audit of the Group. In particular the Committee will

- Make recommendations to the Board on the appointment, reappointment or replacement, remuneration, monitoring of the effectiveness, and independence of the external auditor;
- Discuss with the Chief Financial Officer the key terms, scope of engagement and fee for the external auditor at the start of each audit;
- Monitor the activities and performance of the external auditor;
- Review the external audit findings in respect of any significant deficiencies or weaknesses in controls.
- Review and monitor management's responsiveness to the external auditor's findings and recommendations, and ensuring that management agrees to and implements appropriate and timely corrective action.
- Review with the external auditor any significant disagreements between the external auditor and management, irrespective of whether they have been resolved;
- Review and assess the independence of the external auditor, including but not limited to:
  - any relationships with the Group or any other entity,
  - any non-audit services provided by the external auditor,
  - economic benefits paid to the external auditor, whether in terms of fees paid for the audit as well as fees paid for non-audit services, by the Group,

and consider if any of the above arrangements may impair or appear to impair the external auditor's judgment or independence in respect of the Group.

- Review all representation letters signed by management, and be satisfied that the information provided is complete and appropriate.
- Meet at least once annually with the external auditor without the presence of management to discuss the Group's internal control, financial control, and risk management environment, including recommendations for improvement and management's responses thereto.

#### **4. Review of the Charter**

The Committee Chairman will periodically conduct a review of the Charter of the Committee to ensure that it continues to reflect the current processes and guidance utilized in discharging the duties of the Committee. The Committee will discuss and propose any amendment of the Charter to the Board for further approval.



**Annexure 1:****Procedure for the selection and appointment of an external auditor****1. Introduction**

The Board is responsible for the initial appointment of the external auditor. The shareholders of the Company at the next annual general meeting must ratify the appointment of an external auditor.

When a vacancy occurs, the Audit, Risk and Compliance Committee (the “Committee”) will meet and determine whether a replacement auditor should be selected by way of a formal tender or some other method.

**2. Role of Chief Financial Officer**

If requested to do so by the Committee, the Chief Financial Officer will assist the Committee in the selection and appointment process.

**3. Selection criteria**

The candidate selected by the Committee, as the preferred external auditor must satisfy the selection criteria whether or not it is selected by way of a formal tender. The selection criteria include:

- Candidates must provide a fixed fee quotation for its audit services. However price will not be the sole determining factor in the selection of a preferred external auditor.
- Candidates must satisfy the Committee that it is independent and outline the procedures it has in place to maintain its independence.
- Candidate must outline its proposed procedures to address any issue of material significance or matter of disagreement with the management.
- A candidate must detail its approach to the provision of non-audit related services to the Group.
- The selection criteria may include such other matters as the Committee thinks fit.

**4. Policy on audit and non-audit services**

The Committee will develop guidelines that set out the circumstances in which the Group may use the external auditor for other services. A copy of these guidelines will be provided to the external auditor.

**5. Rotation of external audit engagement partner**

The external auditor will ensure that it has in place arrangements for rotation of the audit engagement partner in accordance with relevant laws.

## **6. Review of audit arrangements**

The Committee will review the external auditor's performance annually. As part of this review the Committee will obtain feedback from the Chief Financial Officer and other members of senior management regarding the quality of the audit service.