

nic
BOARD COMMITTEE
CHARTER

NIC General Insurance Co. Ltd
AUDIT & RISK COMMITTEE

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1. Preamble

The Board of NIC General Insurance Co Ltd. (“NICGEN” or the “Company”) shall appoint from its members an Audit and Risk Committee (hereinafter referred to as the “Committee”) in line with the National Code of Corporate Governance for Mauritius. The purpose of the Committee is to assist and advise the Board of Directors (“Board”) in fulfilling its fiduciary responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports, compliance, internal controls and risk management. The Committee also recommends best practices for the Company.

2. Membership

- 2.1 The Members shall consist of not less than [3] three Directors (having a substantial accounting or financial or insurance background) appointed by the Board, the majority of whom shall be non-executive Directors and, to the extent possible, shall be independent non-executive Directors.
- 2.2 The Board shall appoint a Chairperson from the non-executive Members of the Committee and determine the period for which he or she shall hold office. The Chairperson of the Board shall not be eligible to be appointed as Chairperson of the Committee.
- 2.3 The Board shall have the power to review at any time the composition of the Committee.

3. Secretary

- 3.1 The Company Secretary or any other Officer nominated by the Board shall act as the Secretary of the Committee.
- 3.2 In the absence of the designated Committee Secretary, the Committee may designate any member of Management present at meetings to act as Secretary of the Committee.

4. Quorum

The quorum necessary for the transaction of business shall be the majority of members of the Committee. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

5. Frequency of Meetings

The Committee shall meet as often as necessary, but at least four times a year. The Board, Management, the External Auditors or the Internal Auditor may request for a meeting of the Committee.

6. Notice of Meetings

- 6.1 Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Chairperson of the Committee with at least [5] five days’ notice.
- 6.2 The minimum notice period required to call meetings of the Committee under paragraph 6.1 may be waived, where all the members entitled to receive notice of meetings agree to the waiver.

- 6.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend the meeting not later than [5] five days before the date of the meeting.
- 6.4 Committee papers for consideration at meetings shall be sent to Committee members and to other attendees as appropriate, at such reasonable time, in advance of meeting in order to allow the latter sufficient time for perusal of same.

7. Minutes of Meetings

- 7.1 Unless varied by this Charter/terms of reference, Meetings and Proceedings of the Committee will be governed by the Companies Act regulating the Meetings and Proceedings of Directors and Committees.
- 7.2 The Committee Secretary shall take minutes of meetings. These shall be reviewed and approved by the Members of the Committee.
- 7.3 The Minutes of all meetings of the Committee, or summaries thereof and any applicable recommendations, shall be submitted to the Board at the next Board Meeting, whereby the Chairperson of the Committee shall report on any matters of importance or requiring approval of the Board.

8. Written Resolutions

Decisions may also be taken by way of written resolutions either signed by all members of the Committee or approved by all members through electronic means such as fax, electronic mail or any other similar means of communication.

9. Terms of Reference

A. AUDITORS AND EXTERNAL AUDIT

The Committee shall recommend to Board the appointment, and remuneration of the External Auditor. The appointment should follow the procurement guidelines of the company.

The Committee will:

- 9.1 Evaluate the independence and effectiveness of the External Auditor(s) and consider any non-audit services rendered by them as to whether this substantively impairs their independence;
- 9.2 Evaluate the performance of the External Auditor(s);
- 9.3 Consider and make recommendations as regards the retention, resignation or dismissal of the External Auditors;
- 9.4 Discuss and review, with the External Auditor(s) before the commencement of the audit, the audit engagement letter, the terms of reference, 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;
- 9.5 Establish negotiable procedures, subject to agreement, beyond minimum statutory and professional duties - there are certain minimum non-negotiable procedures required from the external auditors;

- 9.6 Agree to the timing and nature of reports from the External Auditor(s);
- 9.7 Consider any problems identified in going concern or statement of internal control;
- 9.8 Make suggestions as to problem areas that the audit can address;
- 9.9 Consider any accounting treatments, significant unusual transactions, or accounting judgements, that could be contentious;
- 9.10 Identify key matters arising in the current year's management letter and satisfy itself that these are being properly followed up;
- 9.11 Consider whether any significant ventures, investments or operations are not subject to external audit;
- 9.12 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;
- 9.13 Agree to the timing and nature of reports from the External Auditor(s); and
- 9.14 Obtain assurance from the External Auditor(s) that adequate accounting records are being maintained.

B. FINANCIAL STATEMENTS

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

- 9.15 The implementation of new systems;
- 9.16 Tax and litigation matters involving uncertainty;
- 9.17 Any changes in accounting policies and practices;
- 9.18 Major judgmental areas;
- 9.19 Significant adjustments resulting from the audit;
- 9.20 The basis on which the company has been determined a going concern;
- 9.21 Capital adequacy;
- 9.22 Internal control;
- 9.23 Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
- 9.24 The efficiency of major adjustments processed at year end;
- 9.25 Compliance with the financial conditions of loan covenants;
- 9.26 Reviewing special documents such as prospectuses as and when prepared;
- 9.27 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 company;
- 9.28 Review the External Auditor(s) proposed audit certificate;
- 9.29 Discuss problems and reservations arising from the audit, and 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);

- 9.30 Review the External Auditors' management letter and management response; and
- 9.31 Review the credibility, independence and objectivity of the Auditor(s), taking into account their audit and non-audit fees. Where the Auditors also supply a substantial volume of non-audit services to the company, the Committee should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity with value for money.

C. INTERNAL CONTROL AND INTERNAL AUDIT

An important role of the Committee will be to 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 systems of internal control and reporting. This will include:

- 9.32 Evaluating the performance of internal audit;
- 9.33 Reviewing the internal audit function's compliance with its mandate as approved by the Committee. The Committee may request the Internal Auditor to carry out such assignment as it or the Board may deem appropriate;
- 9.34 Reviewing the effectiveness of the Company's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems;
- 9.35 Considering the appointment, dismissal or re-assignment of the of the Internal Auditor;
- 9.36 Reviewing and approving the internal audit charter, internal audit plans and internal audit's conclusions with regards to internal control;
- 9.37 Reviewing the adequacy of corrective action taken in response to significant internal audit findings;
- 9.38 Reviewing significant matters reported by the internal audit function;
- 9.39 Reviewing the objectives and the operations of the internal audit function;
- 9.40 Assessing the adequacy of performance of the internal audit function, and the adequacy of available internal audit resources;
- 9.41 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;
- 9.42 Reviewing significant differences of opinion between management and the internal audit function;
- 9.43 Maintaining proper and adequate accounting records;
- 9.44 Evaluating the independence and effectiveness of the internal auditors;
- 9.45 Controlling the overall operational and financial reporting environment;
- 9.46 Safeguarding Company's assets against unauthorised use or disposal;
- 9.47 Directing and supervising investigations into matters within its scope, for example, evaluations of the effectiveness of the company's internal control, cases of employee fraud, misconduct or conflict of interest;
- 9.48 Consider whether or not the objectives, organisation, staffing plans, financial budgets, audit plans and standing of the internal audit function provide adequate support to enable the Committee to meet its objectives;

- 9.49 Review the results of work performed by the internal audit function in relation to financial reporting, corporate governance, internal control, and any significant investigations and management responses;
- 9.50 Review co-ordination between the internal audit function and the external auditors and deal with any issues of material or significant dispute or concern;
- 9.51 Review such significant transactions, as may be reported by the internal audit department, not directly related to the company's normal business as the Committee might deem appropriate;
- 9.52 Review significant cases, as may be reported by the internal audit department or management, of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the company;
- 9.53 Review the controls, implemented by the management, over significant risks, as may be reported by the internal audit department; and
- 9.54 Consider other relevant matters referred to it by the Board.
- 9.55 The Committee, in carrying out its duties under this Charter and terms of reference, will have due regard for the principles of governance and code of best practice as contained in the Mauritius Report on Corporate Governance, and any other applicable legislation or guidelines pertaining to the insurance sector.

D. RISK MANAGEMENT

Duties of the Committee pertaining to Risk management shall include the following:

- 9.56 Consider and recommend to the Board the establishment and implementation of the Risk Management Framework ("RMF") which also encompasses the Risk Management Strategies;
- 9.57 Review and recommend to the Board the Risk Management processes as proposed by the Risk Management Committee, with a view to implementing the Risk Management Strategies;
- 9.58 Review and recommend to the Board the risk identification and assessment methodologies proposed by the Risk Management Committee;
- 9.59 Considering and taking appropriate action on the risk exposure of the Company to market risk, credit risk, liquidity risk, operational risk, commercial risk and any other risks appropriate to the insurance business which may be identified from time to time;
- 9.60 Review and recommend to the Board the treatment plans as proposed by the Risk Management Committee, to mitigate the impact of risks;
- 9.61 Review of the practices of the Company to ensure that any transactions that may have a material effect on the stability and solvency of the Company are identified in a timely manner and dealt with;
- 9.62 Propose areas where risk assessment exercises should be conducted by the Risk Management Committee; and
- 9.63 The Committee shall also consider any other matters as may be instructed by the Board from time to time.

10. Reporting Responsibilities

- 10.1 The Committee Chairperson shall report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 10.2 The Committee shall make such recommendations to the Board as it may deem appropriate on any areas within its terms of reference.

11. Other Matters

The Committee shall:

- 11.1 Have access to sufficient resources in order to carry out its duties, including access to the Company Secretary and Management for assistance as required.
- 11.2 Give due consideration to laws and regulations, the principles of the Code of Corporate Governance and any other applicable rules.
- 11.3 The Committee shall, as directed by the Board, review its own performance, constitution (if any) and Charter / Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. Authority

The Committee, in carrying out its tasks under this Charter / terms of reference:

- 12.1 Is authorized to investigate any activity within its Charter / terms of reference;
- 12.2 May, require other employees of the Company to attend Meetings or parts of Meetings;
- 12.3 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;
- 12.4 Shall at least once a year meet with External Auditors without any Management / Executive Member of the Board in attendance; and
- 12.5 Shall at least once a year meet with the Internal Auditors without any Management / Executive Member of the Board in attendance.
- 12.6 The Committee, in carrying out its tasks under this Charter / terms of reference, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.
- 12.7 The Board shall ensure that the Committee will have access to professional advice both inside and outside the company in order for it to perform its duties.
- 12.8 This Charter / terms of reference may be amended by the Board, at its sole discretion.