

MCB CAPITAL MARKETS LTD

AUDIT AND RISK COMMITTEE CHARTER

- 1. Constitution 3
- 2. Membership 3
- 3. Secretary..... 4
- 4. Quorum 4
- 5. Frequency of Meeting 4
- 6. Notice of Meeting 4
- 7. Conflicts of Interest..... 4
- 8. Minutes of Meeting 5
- 9. Responsibilities and duties of the Committee 5
 - 9.1. Auditors and External Audit..... 5
 - 9.2. Financial Statements 5
 - 9.3. Internal Control and Internal Audit..... 6
 - 9.4. Ethics..... 6
- 10. Authorities 7
- 11. Reporting and Accountability..... 7
- 12. Remuneration 7



1. Constitution

The Board of Directors of MCB Capital Markets Ltd (the “Board”) on the 4th October 2012, resolved to set up an Audit Committee (the “Committee”) at the level of MCB Capital Markets Ltd (“MCBCM”) Group. The objective of the Committee is to assist the Board in the discharge of its duties relating to all the risk aspects of the subsidiaries of MCBCM, including the safeguarding of assets, the monitoring of control processes and the effectiveness of systems, and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards.

2. Membership

- The Audit Committee shall comprise of a minimum of 3 members, the majority of whom shall be independent with recent and relevant financial experience. The members shall be appointed by the Board.
- The Board shall appoint the chairperson of the Committee who should be an independent non-executive director and determine the period for which he/she shall hold office. In the absence of the Chairperson of the Committee, the members present at any meeting of the Committee shall elect one of them to chair the meeting.
- The Chairperson of the Board should not be a member of the Audit Committee. He/she should attend only by invitation.
- The Chief Executive Officer should not be a member of the Audit Committee. He/she should attend only by invitation.
- The Board may at any time remove member/s from the Committee and fill any vacancy/ies created by such removal.
- Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the Board, chief executive, finance director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.

3. Secretary

The company secretary shall act as the secretary of the Committee.

4. Quorum

The quorum necessary for the transaction of business shall be [2] members. 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. A member may participate in a meeting of the Committee by telephone and be counted in the quorum.

5. Frequency of Meeting

The Committee shall meet on a quarterly basis.

6. Notice of Meeting

Meetings of the committee shall be called by the secretary of the committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.

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, any other person required to attend, in a timely manner to enable full and proper consideration to be given to the issues. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

7. Conflicts of Interest

To strengthen the Committee's actual and perceived independence, the Committee should develop protocols for dealing with actual or perceived conflicts of interest.

- Each year, members of the Audit Committee must declare potential, perceived or real conflicts of interest they may have in relation to their role, and be required to update them regularly during the financial year. External members should consider past employment, consultancy arrangements and related party issues; and
- At the beginning of each Audit Committee meeting, members should raise any conflict of interest issues and, where required, the member should be excused from the meeting for the relevant agenda item(s).

- Where members or other attendees at Audit Committee meetings are deemed to have a real or perceived conflict of interest they should be excused from the Committee deliberations on the issue where a conflict of interest exists.
- Details of potential or actual conflicts of interest declared by members and action taken should be appropriately minuted by the secretary.

8. Minutes of Meeting

The secretary shall minute the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.

The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.

Minutes of committee meetings shall be circulated promptly to all members of the committee and, once agreed, to all members of the Board, unless a conflict of interest exists.

9. Responsibilities and duties of the Committee

9.1. Auditors and External Audit

- To make recommendation 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.
- 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, 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.
- Meet the external auditors whenever deemed appropriate to discuss audit matters concerning MCBCM and its subsidiaries.

9.2. Financial Statements

The Committee will examine, review and recommend the annual financial statements and the reports contained therein, of MCBCM and its individual subsidiaries, prior to their submission and approval by the respective boards. Particular focus will be placed on the points outlined below:

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

9.3. Internal Control and Internal Audit

The responsibility of the Committee would include the monitoring and supervision of the effective function of the Internal Audit. The Committee should 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.
- Meeting the internal auditors whenever deemed appropriate to discuss audit matters concerning MCBCM and its subsidiaries

9.4. Ethics

The responsibility of the Committee will include:

- Monitoring of ethical conduct of the companies, its executives and senior officials
- Reviewing any statements on ethical standards and assisting in developing such standards.
- Identification of any violations of ethical conduct.
- Compliance of the different subsidiaries of MCBCM with the requirements of their respective constitutions and compliance with the law and regulations of any other applicable statute and of controlling bodies.

10. Authorities

The Committee should be provided with sufficient resources to undertake its duties.

The Committee may seek internal and external legal or other professional advices; and to secure 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.

The Committee shall have access to the services of the secretary on all Committee matters.

The Committee is authorised to investigate any activity within its terms of reference.

The Committee is authorised to seek any information it requires from any employee of the Company and its subsidiaries in order to perform its duties. All employees are directed to co-operate with any request made by the Committee.

The Committee shall have full authority to commission any reports or surveys which it deems necessary to help it fulfil its obligation.

11. Reporting and Accountability

The Chairperson (or in his/her absence, an alternate member) of the Committee shall whenever requested by the Board give a verbal summary of the Committee's deliberations at the next Board Meeting.

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

The approved minutes of each meeting of the Committee shall be circulated at the Board Meeting immediately succeeding the approval of such minutes.

12. Remuneration

Having regard for the functions performed by the members of the Committee in addition to their functions as directors and in relation to the activities of the Committee and pursuant to any specific power conferred upon the Board by the Constitution of the Company, members of the Committee who are non-executive directors 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.

