



**AUDIT COMMITTEE  
- TERMS OF  
REFERENCE**

## AUDIT COMMITTEE - TERMS OF REFERENCE

### 1. Constitution

The Board of Directors of AfrAsia Bank Limited (“The Board”) resolved to establish a standing committee of the Board known as the Audit Committee (the “Committee” or “AC”) on 31<sup>st</sup> January 2008. The revised Terms of Reference of the Audit Committee (the “Committee”) was adopted by the Board on 02 October 2024 and effective on 13 February 2025.

The main function of the Committee is to oversee the financial reporting process and effectiveness of the Bank’s internal controls. The Committee also reviews and monitors the independence of the external audit process and external auditors’ performance, effectiveness of the Internal Audit and Compliance system.

### 2. Membership/Composition

- 2.1 It must consist of a minimum of four (4) members and a maximum of five (5) members.
- 2.2 It shall consist of independent non-executive directors exclusively.
  - 2.2.1 The Chairperson of the Committee shall not be Chairperson of the Board or Chair of any other Board Committees of the Bank.
  - 2.2.2 The Chairperson of the Board, the CEO, the CFO and any Executive director, shall not be a member.
  - 2.2.3 A member of the Committee should not concurrently be a member of the Credit Committee.
  - 2.2.4 The Committee may have one member from the Risk Committee. However, this member shall neither participate in the debate nor vote on any matter decided at the Risk Committee and subsequently sent to the Committee [e.g. Expected Credit Loss (ECL) matter].
- 2.3 Members should preferably have a financial background and be conversant in both International Standards on Auditing (“ISA”) and International Financial Reporting Standards (“IFRS”).

### 3. Quorum

- 3.1 The quorum for any meeting shall be a majority of the membership of the Committee.

### 4. Meetings

- 4.1 Frequency of Meetings - At least once every quarter, or more frequently as circumstances require to ensure the execution of its mandate effectively.
- 4.2 The Company Secretary of the Bank shall act as Secretary of the Committee.
- 4.3 Meetings of the Committee shall be convened by the Secretary of the Committee, or in his absence by his Deputy or by any authorised officer, at the request of the Chairperson or any of its members.
- 4.4 Only members of the Committee shall have the right to attend the Committee’s meetings.
  - 4.4.1 However, the Committee may invite non-members, for instance: other Board members, the Head of Internal Audit, the Head of Compliance or any other members of the

Management team, External Auditors and any other external advisor as applicable, to attend meetings as it deems necessary.

- 4.4.2 The Committee may instruct any officer or employee of the Bank to attend any meeting and provide pertinent information as necessary.
- 4.4.3 In the absence of the Chairperson, the remaining members present shall elect one of themselves to chair the meeting.
- 4.5 The Secretary shall ensure that the relevant Board Committees mentioned under 7.6 below sit in the appropriate order to ensure that the Committee is able to receive relevant debriefs from Committee Chairs for its own sitting.
- 4.6 The notice of each Committee meeting confirming the venue, time and date and enclosing an agenda of items to be discussed shall, other than under exceptional circumstances, be forwarded to each member of the Committee by electronic communication/email, or Board Vantage, or at his known registered address. Committee documents and a prior written notice of at least ten (10) Business Days shall be sent to every member of any meeting of the Committee. In case of urgent matters, a prior notice of two (2) Business days will be given.
- 4.7 The requirements provided under 4.6 above may be varied subject to the written consent of all members then entitled to receive notice of a meeting of the Committee.
- 4.8 Deliberations by way of circularisation (writing) assented to by all members then entitled to receive notice of a meeting of the Committee, is as valid and effective as if it had been passed at a meeting of the Committee duly convened and held.
- 4.9 Proceedings of the Committee shall be reported at least once every quarter, or more frequently as circumstances require, to the Board of Directors.

## **5. Minutes of Meetings**

- 5.1 The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
  - 5.1.1 Comments raised by the members and clarifications received thereto on Board Vantage, shall form part and parcel of the minutes.
- 5.2 The Secretary shall immediately after the meeting update the Interest Register of the Bank with the names of those who have made a declaration of interest at the meeting.
- 5.3 Draft minutes of Committee meetings shall be circulated to all members of the Committee, within fifteen (15) business days of the Meeting, unless circumstances dictate otherwise under which the Company Secretary shall then inform the members accordingly.

## **6. Authority**

- 6.1 The Committee is authorised by the Board to investigate any activity it deems appropriate. It is authorised to seek any information from any officer or employee all of whom are directed to co-operate with any request made by the Committee
- 6.2 The Committee is authorised to engage any firm of accountants, lawyers or other professionals as the Committee deems fit to provide the independent counsel and advice and to assist in any review or investigate on such matters as the Committee deems appropriate.
- 6.3 Compliance and Internal Audit are independent functions and the Head of Internal Audit and the Head of Compliance shall report directly to the Audit Committee, and administratively to the Chief Executive Officer.

## **7. Role & Responsibilities**

### **7.1 General**

- 7.1.1 Ensure that the Bank complies with regulatory requirements.
- 7.1.2 Ensure that there is an open avenue of communication between the Head of Internal Audit, the Head of Compliance and the External Auditors and the Board of Directors.
- 7.1.3 The Committee must report to the Board on the conduct of its responsibilities in frequency specified by the Board, with particular reference to the appointment, powers and duties of auditors.
- 7.1.4 Perform such additional duties/investigations as may be assigned to it by the Board of Directors.
- 7.1.5 Review annually and, if necessary propose for formal Board adoption, amendments to the Audit Committee's Terms of Reference and other recommendations/deliberations voted on at the Committee.
- 7.1.6 Outside of the formal meetings, the Committee Chairperson shall maintain a dialogue with key individuals involved in the Bank's governance, including the Board Chairperson, the CEO, the CFO, the external audit Lead Partner, the Head of Compliance and the Head of Internal Audit.
- 7.1.7 The Committee should meet both internal and external auditors separately at least once a year without the Bank's management being present to discuss issues related to the Bank's audit and any other matters of concern which either party may wish to raise.

### **7.2 Financial Reporting**

- 7.2.1 The Committee should discuss with senior management and external auditors the overall results of the audit, the quality of financial statements and any concerns raised by external auditors. This should include:
  - key areas of risk for misinformation in the financial statements, including critical accounting policies, accounting estimates and financial statement disclosures;
  - changes in audit scope;
  - whether the external auditor considers the estimates used as aggressive or conservative within an acceptable range;
  - significant or unusual transactions; and
  - internal control deficiencies identified during the course of the audit.
- 7.2.2 Enquire about the appropriateness of the ECL process, models and the assumptions made for IFRS9 (as overseen by the Risk Committee), and the impact on the financial statements.
- 7.2.3 The Committee must review any transactions brought to its attention by auditors or any officers of the institution, or that might otherwise come to its attention, which might adversely affect the financial condition of the Bank.
- 7.2.4 The Committee must assess whether the Bank has implemented adequate financial disclosure procedures.
- 7.2.5 The Committee must review the interim and audited financial statements of the Bank (Company and Group level) for adequacy, using a fair and reasonable point of view, before their approval by the Board.
- 7.2.6 The Committee must review relevant financial ratios, stress testing scenarios, solvency checks, and inputs from other Committees to discuss on any declaration of interim / final dividend for ordinary shares and Class A shares. The declaration of interim / final ordinary dividend should be in line with the capital strategy of the Bank, and should follow the devised process leading up to same.

### 7.3 Overall Internal Control

- 7.3.1 The Committee must assess whether the Bank has implemented adequate internal control procedures by:
- Enquiring from management, the Head of Internal Audit, the Head of Compliance, and the External Auditors about significant risks or exposures and evaluate the steps taken to minimise such risk to the Bank.
  - Considering and reviewing the Head of Internal Audit's and Head of Compliance's significant findings during the year and Management's responses thereto.
  - Requiring management of the Bank to implement and maintain appropriate accounting, internal control and financial disclosures and review, evaluate and approve such procedures.
- 7.3.2 The Committee must ensure that management is taking appropriate corrective action in response to deficiencies identified by the internal and external auditors, including internal control weaknesses and instances of non-compliance with laws.

### 7.4 Internal Audit

- 7.4.1 The Committee should review and provide input on the Internal Audit activity's strategic plan, objectives, performance measures, and outcomes.
- 7.4.2 The Committee should approve the annual Internal Audit plan to ensure that these are risk-prioritised and address all activities over a measurable and reasonable cycle, and ensure that the work of external and internal auditors is coordinated, and completed timely.
- 7.4.3 Review and approve the Internal Audit charter at least annually. The charter should be reviewed to ensure that it accurately reflects the Internal Audit activity's purpose, authority, and responsibility, consistent with the mandatory guidance of The IIA's International Professional Practices Framework and the scope and nature of assurance and consulting services, as well as changes in the financial, risk management, and governance processes of the organization and reflects developments in the professional practice of internal auditing.
- 7.4.4 The Committee should review regular reports from the Head of Internal Audit and where it deems necessary recommend Ad-Hoc assignments to address specific matters.
- 7.4.5 The Committee to ensure that Internal Audit provides independent assurance to the Board on whether:
- the internal control system in place is performing effectively and is adequate to mitigate risks consistent with the risk appetite of the financial institution; and
  - the organisational goals are met and corporate governance processes are effective and efficient.
- 7.4.6 The Committee to ensure that:
- the Board is providing Internal Audit authority, among other things, to independently assess the effectiveness of internal control, risk management and governance systems
  - the Internal Audit function has adequate resources and recommend to the Board additional Internal Audit headcount, training budget and capex, when deemed required.
  - Internal auditors adhere to international professional standards, such as those of the Institute of Internal Auditors;
  - the Internal Audit team has adequate professional background and training to carry out its responsibilities effectively, across the various fields audited (IT, IFRS, Banking etc.);

- the Internal Audit reports are transmitted to the Board without any undue filtering of findings by management, and that the reports include a timeframe within which corrective action must be taken;
- the Board, through management feedback and recommendations, provides timely and effective response to the findings of internal auditors.

7.4.7 Internal Audit must report directly to and have easy access to the Committee, and the Committee shall approve the remuneration of the Head of Internal Audit, with input from the Remuneration Committee.

## 7.5 Compliance

7.5.1 The Committee should review and provide input on Compliance's strategic plan, objectives, performance measures, and outcomes.

7.5.2 The Committee should approve the annual Compliance plan/strategy and Compliance Charter.

7.5.3 The Committee should review and recommend the Bank's AML Policy for approval to the Board.

7.5.4 The Committee should ensure that there is appropriate structure in place for identifying, monitoring, and managing compliance and AML risk:

- as well as a reporting system to advise the Committee and the Board of instances of regulatory non-compliance on a timely basis.
- as well as review regular reports from the Head of Compliance.

7.5.5 The Committee must ensure that:

- The Compliance function has adequate authority, independence and stature in the organization.
- The Compliance function has adequate resources and recommend to the Board additional Compliance headcount, training budget and capex, where deemed required.

7.5.6 Compliance must report directly to and have an easy access to Committee, and the Committee shall approve the remuneration of the Head of Compliance, with input from the Remuneration Committee.

## 7.6 Devolution and Interaction with other Committees

7.6.1 Certain aspects of the Committee's responsibilities have been devolved to the applicable Board Committee given their mandate as follows, and accordingly, these matters shall be discussed at their respective meetings, and where applicable reported on to the AC or to the Board directly:

7.6.1.1 The appropriateness of the ECL process, models and the assumptions made for IFRS9 are overseen by the Risk Committee and the AC shall receive the Risk Chair's debrief as part of its Financial reporting review.

7.6.1.2 The Committee shall receive the TDP Chair's debrief on:

- the Internal Audit's IT Annual Audit Plan and the corresponding Risk assessment.
- The appropriate corrective action in response to deficiencies identified by the internal and external auditors, including internal control weaknesses and instances of non-compliance with laws relevant to IT matters;

- 7.6.1.3 The Committee shall receive the Remuneration Committee Chair's debrief on the quantum of the Discretionary Bonus Provision for inclusion in the financial statements;
- 7.6.1.4 Management of AML risk – The Committee receives reports on AML matters from Compliance, Internal Audit and External Audit, based on their respective reviews/reports which are submitted to the Audit Committee. However, Customer On boarding matters and Customer Due Diligence review matters for the bank are escalated to the Risk Committee, through the Head of AML. The Risk Committee is also responsible for review of the AML/CFT risk appetite document before same is submitted to the Board for approval.
- 7.6.1.5 With regards to Fraud: To obtain reasonable assurance with respect to the organisation's procedures for the prevention and detection of fraud, the Risk Committee shall:
- Oversee management's arrangements for the prevention and deterrence of fraud.
  - Ensure that appropriate action is taken against known perpetrators of fraud.
  - Challenge management and internal and external auditors to ensure that the entity has appropriate antifraud programs and controls in place to identify potential fraud and ensure that investigations are undertaken if fraud is detected.
- 7.6.1.6 The Committee shall receive the appropriate debriefs from other Committees in line with the Dividend policy process to facilitate its own deliberations.
- 7.6.2 The Committee shall correspondingly escalate any issues to the relevant Committees arising from its review of its own papers, or from regulatory documents received and reviewed as applicable.

## **7.7 External Audit**

- 7.7.1 The Committee, should recommend to the Board, who will in turn recommend to the shareholders the appointment, removal, and remuneration of external auditors for the Bank as well as any subsidiary of the Bank.
- 7.7.2 The Committee should ensure the establishment of policies and procedures with respect to proposed agreement with the external auditors for the provision of non-audit services to the Bank, for the performance such other oversight functions as may be determined by the board.
- 7.7.3 The Committee should also approve the engagement letter setting out the scope and terms of external audit.
- 7.7.4 The Committee should approve the External audit plan to ensure that these are risk-prioritised and address all activities over a measurable and reasonable cycle, and that the work of external and internal auditors is coordinated.
- 7.7.5 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the external auditor's remit and any issue arising from the external audit, and to discuss any matter that the Committee thinks should be discussed privately.
- 7.7.6 The Committee should assess the external auditors periodically in terms of:

- the skills, resources, and independence of the external audit firm and its practices for quality control
- the accounting practices

## **8. Reporting Responsibilities**

- 8.1 The Chairperson shall report to the Board on its deliberations after each/set of meeting(s) on all significant matters within its duties and responsibilities.
- 8.2 The Committee shall make relevant recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

## **9. Other matters**

- 9.1. The Committee shall have access to outside or other independent professional advice as it considers necessary to carry out its duties at the Bank's expense within any reasonable budgetary guidelines as indicated by the Board.
- 9.2. The Committee shall have access to sufficient resources in order to carry out its duties, including full access to the Bank's secretariat for assistance as required.
- 9.3. Regular training shall be provided to the members for continuous development. The Committee may decide on the focus areas.
- 9.4 The Committee shall arrange for periodic reviews of its own performance and review its terms of reference on an annual basis to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.
- 9.5 The Chairperson of the Committee shall attend the annual general meeting.