

TERMS OF REFERENCE FOR AUDIT AND RISK COMMITTEE OF QUALITY BEVERAGES LIMITED (“QBL”)

Definitions

Reference to “the Committee” shall mean Audit & Risk Committee of QBL

Reference to “the Company” shall mean “QBL”

Reference to the “Board” shall mean the Board of Directors of “QBL”

Reference to “PIE companies” shall have the same meaning as assigned by the First Schedule of the Financial Reporting Act 2004 (as amended in 2017).

1. Preamble

The Board recognizes that:

- 1.1. It is responsible for determining the nature and extent of the significant risks it is willing to take in achieving strategic objectives set by the Board as well as the importance for maintaining sound risk Management and internal control systems.
- 1.2. It shall establish formal and transparent arrangements for considering how it shall apply the corporate reporting, risk Management and internal control principles and for maintaining an appropriate relationship with Management and the Auditors.
- 1.3. The establishment of an “Audit and Risk Committee” is an important part of reporting, risk Management and control process. The Code of Corporate Governance of Mauritius has emphasized on the need for having such a Committee, which is a fundamental pillar of the Governance structure for PIE Companies.

The Audit and Risk Committee shall be a Sub-Committee of the Board and for it to operate efficiently, the Board shall delegate appropriate responsibilities relating thereto, and herewith determine formal written Terms of Reference outlining the objectives, composition, responsibilities and authority of the Committee as set out in this document.

2. Objectives

The Committee shall, within these terms of reference, look into all relevant matters concerning the Company.

3. Membership and Chairmanship

- 3.1 The Committee shall consist of at least three members appointed by the Board. The Members of the Committee shall be nominated from the Non- Executive Directors and Independent Directors on the Board of the Company, one of whom shall have the relevant financial expertise and experience.

- 3.2 The Managing Director, the Deputy Managing Director, the Chief Executive Officer and the Chief Financial Officer of the Company, shall attend all the Committee's meetings and they shall not be eligible to vote.
- 3.3 Other Officers of the Company, such as the Chairman of the Board, Senior Executive(s), , and other Directors, may be invited to attend all or part of any meeting as and when deemed appropriate, and they shall not be eligible to vote.
- 3.4 The Internal and External Auditor shall be invited to attend meetings of the Committee to present *inter alia*, their audit plans, findings and recommendations to the Committee.
- 3.5 Appointments to the Committee shall be for a period of up to three years, which may be extended for a further three-year period, provided the Director still meets the criteria for Membership to the Committee.
- 3.6 The Board of QBL shall appoint a Chairman of the Committee amongst the Members so appointed for a period of up to three years, which may be extended for a further three-year period. The Chairman of the Audit & Risk Committee shall be an Independent Non-Executive Director. The Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee.
- 3.7 In the absence of the Chairman of the Committee at any Meeting, the remaining Members present shall elect a Chairman amongst the Members present, to preside the meeting.
- 3.8 The Board shall have the power at any time to remove any Member(s) from the Committee and fill any vacancies created by such removal.

4. Secretary

Currimjee Secretaries Limited shall act as the Secretary of the Committee.

The Company Secretary shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

5. Quorum

The quorum necessary for the transaction of business shall be any two 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.

6. Frequency and Notice of Meetings

- 6.1 The Committee shall establish an annual work plan. The annual plan shall ensure proper coverage of the matters laid out in the Committee's Terms of Reference.
- 6.2 The Committee shall meet at least four times a year at appropriate times and otherwise as required, prior to each Board Meeting set for the year.
- 6.3 Additional Meetings, may, with approval of the Chairman of the Committee, be held at the request of the Managing Director, the Deputy Managing Director, the Chief Executive Officer and the Chief Financial Officer of the Company, or Members of the Committee, or at the instance of the Board.
- 6.4 The Chairman of the Committee may meet with the Managing Director, the Deputy Managing Director, the Chief Executive Officer and the Chief Financial Officer of the Company, the and/or the Company Secretary prior to a Committee meeting to discuss important issues and agree on the Agenda.
- 6.5 Meetings of the Committee shall be convened by the secretary of the Committee at the request of the Chairman of the Committee, or at the requisition of any of its Members, External Auditors, Internal Auditor, if considered necessary.
- 6.6 Notice of Meetings of the Committee, confirming the venue, date and time, together with an agenda of items shall be set by the Chairman of the Committee in consultation with the Managing Director/Chief Executive Officer/Chief Financial Officer.
- 6.7 The Notice and Agenda of a Meeting of the Committee shall be forwarded at least one week prior to the Meeting to the Members of the Committee, and where applicable to other attendees and as deemed appropriate. Supporting papers shall be sent to Committee Members and to other attendees as appropriate, at the same time.

7. Minutes of Meetings

The Minutes of proceedings and decisions of the Committee Meeting shall be promptly prepared by the Secretary and sent to the Chairman of the Committee for review thereof, within two weeks of having held the Committee. The reviewed Minutes shall then be circulated to the other Members of the Committee, and any attendees (as appropriate) and thereafter be submitted for approval by the Committee at its next scheduled Meeting.

8. Annual Meeting

The Chairman of the Committee shall attend the Annual Meeting to answer any Shareholder's queries on the Committee's activities.

9. Responsibilities - Terms of Reference

The Committee shall carry out the following duties:

9.1 In relation to “*Audit Functions*”

9.1.1 Financial Reporting

9.1.1.1. The Committee shall monitor the integrity of the Financial Statements of the Company, including its Annual Report and review significant financial reporting issues and judgments, which they contain. The Committee shall review and recommend (i) the approval of the Annual Report and Audited Financial Statements of the Company, and (ii) the approval of the Quarterly Management Accounts or any other Interim Reports or formal announcement relating to the Financial Performance of the Company to the Board.

9.1.1.2. The Committee shall review where necessary: -

- the consistency of and any changes to, accounting policies both on a year on year basis and across the Subsidiary Companies;
- Compliance with accounting standards, local, international, and legal requirements.
- the methods used to account for significant or unusual transactions where different approaches are possible;
- whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments, taking into account the views of the External Auditor
- any significant adjustments / estimates / judgements as included in the Accounts;
- the adequacy of provisions made and write-offs ;
- the clarity and completeness of disclosure in QBL’s Financial Reports and the context in which statements are made;
- all material information presented with the Financial Statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the Audit and Risk Management). Where the Committee is not satisfied with any aspect of the proposed Financial Reporting by the Company, the Committee shall report its views to the Board;

- the integrity of the Company’s financial statements and review the Company’s internal controls related to financial reporting and disclosure controls and procedures, including whether there are any significant deficiencies in the design or operation of such controls

and procedures, material weaknesses in such controls and procedures, any corrective actions taken with regard to such deficiencies and weaknesses and any fraud involving management or other employees with a significant role in such controls and procedures.

- Capital adequacy and Internal Controls;
- Compliance with the Financial Conditions of any loan covenants;
- Review special documents such as prospectuses, etc;

9.1.2 Internal Audit

The Committee shall:

- 9.1.2.1. Monitor and review the effectiveness of the Internal Audit function in the context of the company's overall risk Management system on a quarterly basis;
- 9.1.2.2. Approve the appointment and removal of the Internal Auditor;
- 9.1.2.3. Consider and approve the remit of the Internal Audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate standing and is free from Management or other restrictions;
- 9.1.2.4. Ensure the Internal Auditor has direct access to the Board Chairman and to the Committee Chairman, and is accountable to the Committee.
- 9.1.2.5. Review, approve and assess the annual Internal Audit plan of the Company;
- 9.1.2.6. Review promptly all reports on QBL's from the Internal Auditors;
- 9.1.2.7. Review and monitor Management's responsiveness to the findings and recommendations of the Internal Auditor; and
- 9.1.2.8. Meet the Internal Auditor on quarterly basis without Management being present, to discuss their remit and any issues arising from the Internal Audits carried out. In addition, the Internal Auditor shall be given the right of direct access to the Chairman of the Board and to the Committee.

9.1.3 External Audit

The Committee shall:

- 9.1.3.1. Consider and make recommendations to the Board, to be put to

shareholders for approval at the Annual Meeting, in relation to the appointment, re-appointment and removal of the company's External Auditor. The Committee shall oversee the selection process for new Auditors and if an Auditor resigns, the Committee shall investigate the issues leading to the said resignation and decide whether any action is required;

9.1.3.2. Ensure that the audit partner is rotated at least every 5 years.

9.1.3.3. Should an Auditor resign, investigate the issues leading to the resignation and decide whether any action is required.

9.1.3.4. oversee the relationship with the external Auditor for the Company and the Subsidiary Companies including (but not limited to):-

- Recommendations on their remuneration, whether fees for Audit or Non Audit services and that the level of fees is appropriate to enable an adequate Audit to be conducted;
- approval of their terms of engagement, including any engagement letter issued at the start of each Audit and the scope of the Audit;
- assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the Auditor as a whole, including the provision of any non-Audit services;
- agreeing with the Board a policy on the employment of former employees of QBL's Auditor, then monitoring the implementation of this policy;
- monitoring the Auditor's compliance with relevant ethical and professional guidance on the rotation of Audit partners;
- assessing annually the resources and the Auditor and its effectiveness of the Audit process which shall include a report from the external Auditor on their own internal quality procedures.
- ensure co-ordination between (i) audit firms (where more than one audit firm is involved) and (ii) the activities of the Internal Audit Function;

9.1.3.5. Meet regularly with the External Auditor, including meeting(s) as appropriate at the Audit planning stage before the Audit and once after the Audit at the reporting stage.

The Committee may meet the External Auditor at least once a year, without Management being present; to discuss their remit and any issues arising from the Audit;

9.1.3.6. Review and approve the scope of the Audit and approve the Annual Audit Plan of the Company and ensure that it is consistent with the scope of the Audit engagement.

9.1.3.7. Review the findings and effectiveness of the Audit with the External Auditor. This shall include but not be limited to, the following;

- a discussion of any major issues which arose during the Audit of the Company and the Subsidiaries,
- Key accounting and Audit judgments, and
- levels of errors identified during the Audit.

9.1.3.8. Review any representation letter(s) requested by the External Auditor before they are signed by Management;

9.1.3.9. Review the Management letter and Management's response to the Auditor's findings and recommendations and follow up thereon at Audit & Risk Committee Meetings; and

9.1.3.10. Develop and implement a policy on the supply of non-Audit services by the External Auditor, taking into account any relevant ethical guidance on the matter.

9.2 In relation to the ***“Risk Assessment & Management Functions”***

The Chief Financial Officer is responsible for enterprise risk management of the Company. The Committee shall:

9.2.1 Advise the Board of overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment drawing on financial stability assessments such as those published by the authoritative sources that may be relevant for the Company's risk policies.

9.2.2 Ensure that an overall risk management framework is in place providing for the ongoing identification and assessment of risks, their evaluation, measurement and

monitoring.

- 9.2.3 Review policies related to risk management.
- 9.2.4 Oversee and advise the Board on the current risk exposures and future risk strategy.
- 9.2.5 Keep under review the overall risk assessment processes.
- 9.2.6 Review regularly and approve the parameters used and the methodology adopted.
- 9.2.7 Set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
- 9.2.8 Review the Company's capability to identify and manage new risk types, if any.
- 9.2.9 Review reports on any material breaches of risk limits and the adequacy of proposed action.
- 9.2.10 Keep under review the effectiveness of the Company's internal financial controls and internal controls and risk Management systems and review and approve the statements to be included in the annual report concerning internal controls and risk Management.
- 9.2.11 Consider and approve the remit of the risk Management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from Management or other restrictions.
- 9.2.12 Review promptly all reports from the Chief Financial Officer.
- 9.2.13 Receive reports, if any, on fraud and other irregularities and legal matters involving the Company.

9.3 Whistleblowing

In line with the Whistleblowing Policy, the Committee shall review appropriate arrangements for the employees to raise concerns in confidence, about possible wrongdoing in Financial Reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

9.4 Related Party Transaction

9.4.1.1. Consider and approve Related party Transaction(s) between the Company and its Related Parties as reported by the Secretary, in line with the definition contained in the Related Party Transaction Policy adopted by the Board on 10 May 2018, and recommend for final approval to the Board.

9.4.1.2. Review and propose amendments to the policy and recommend these amendments to the Board for approval.

10. Reporting Responsibilities

10.1 The Chairman of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and on how it has discharged its responsibilities. The report shall include:

- The significant issues that it considered in relation to the Financial Statements and how these were addressed.
- Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or re-appointment of the External Auditor.
- Any other issues on which the Board has requested the Committee's opinion.

10.2 The Committee shall make requisite recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Minutes of the Committee Meetings shall be circulated to the Board, after validation by the Chairman.

11. Authority

The Committee:-

- shall act in terms of the delegated authority of the Board as recorded in these terms of reference.
- shall, in the fulfilment of its duties, call upon the Chairman of the other Board committees, any of the Executive Directors, Management, Company Secretary or any employee of the Company and/or its Subsidiaries, to provide it with information, as per an approved Board process.
- be authorised, at the Company's expense, to obtain outside legal or other professional advice on any matter within its terms of reference.
- may set up sub-committees of the Committee or appoint one or more designated Members of the Committee with appropriate delegation powers, to work on specific assignments, which are within its terms of reference.
- shall have reasonable access to sufficient resources, and the Company's records, in order

to carry out its duties, including access to the secretariat of the Company and its Subsidiaries, for assistance as required.

- shall be provided with appropriate and timely training, both in the form of an induction programme for new Members and on an ongoing basis for all Members.
- shall give due consideration to laws and regulations, the provisions of the Code of Governance of Mauritius, and any other relevant regulatory requirements, as appropriate.
- shall oversee any investigation of activities which are within its terms of reference.
- shall arrange for periodic reviews of its own performance and, at least annually, review its constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

12. Remuneration

Members of the Committee 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.