

DATED 13 AUGUST 2014

ATLAS MARA LIMITED
AUDIT AND RISK COMMITTEE TERMS OF REFERENCE



ATLAS MARA LIMITED

(THE "COMPANY")

Approved by the board on 13 August 2014

1. OVERVIEW

1.1 The primary objective of the committee is to assist the Board (defined below) in overseeing the systems of internal control and external financial reporting across the Company and the Company's subsidiaries (together, the "**Group**") and to provide oversight and advice to the Board in respect of the Group's risk appetite, risk monitoring and capital management. Further, the committee is to provide oversight and advice to the Board on current risk exposures and future risk strategy, and to assist the Board to foster a culture within the Group that emphasises and demonstrates the benefits of a risk-based approach to internal control and management of the Group. It performs this role by ensuring that:

- 1.1.1 the external and internal audit arrangements are appropriate and effective;
- 1.1.2 the compliance arrangements are appropriate and effective;
- 1.1.3 fraud prevention and whistleblowing arrangements are established which minimise potential for fraud and financial impropriety;
- 1.1.4 the annual report and accounts, interim report and accounts, related internal control disclosures and any other publically available financial information are reviewed and scrutinised;
- 1.1.5 the Group establishes appropriate methods for measuring risk appetite and positions;
- 1.1.6 the Group's key risks are identified and monitored and steps are taken by management to mitigate them;
- 1.1.7 due consideration is given to all significant matters relating to governance, control, regulatory and compliance issues and any other applicable rules and legislation as appropriate;
- 1.1.8 the Group's risk framework is fit for purpose and continuously refined to meet the evolving needs of the Group and the regulatory environment within which it operates;
- 1.1.9 reports of the audit and risk committees of the Company's subsidiaries will be provided to the committee and recommendations made and advice given with respect to risk management and the adequacy of controls;
- 1.1.10 adequate capital is maintained for the Group's key risk exposures, both to ensure regulatory compliance and the achievement of its strategic objectives; and
- 1.1.11 the Group's current and proposed activities are reviewed against its risk appetite and capital budgets.

2. MEMBERSHIP

2.1 The committee shall comprise at least three members. Members of the committee shall be appointed by the Board of the Company (the "**Board**"), on the recommendation of the nomination committee in consultation with the chairman of the audit and risk committee.

- 2.2 All members of the committee shall be non-executive directors. At least two of the members of the committee shall be independent from the Board. The chairman of the Board may be a member of the committee, provided he or she was independent on appointment as chairman. At least one member shall have recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies. At least one member shall have significant, recent and relevant experience of financial services risk issues. The chairman of the Board shall not chair the committee.
- 2.3 Only members of the committee have the right to attend committee meetings. However, the external auditor and chief financial officer will be invited to attend meetings of the committee on a regular basis and other non-members, including the chief executive office, the chief risk officer (the “CRO”) and other members of the Board, may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4 Appointments to the committee shall be for a period of up to three years, extendable by no more than two additional three year periods, so long as at least two of the committee members continue to be independent.
- 2.5 The Board shall appoint the committee chairman. In the absence of the committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.6 All committee members should meet predetermined skills, competency and experience requirements and keep up to date with developments affecting the required skill set.
- 2.7 The chairman and the members of the audit and risk committee should be identified in the Company's annual report.

3. **SECRETARY**

The Company secretary, or his or her nominee, shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

4. **QUORUM**

- 4.1 The quorum necessary for the transaction of business shall be 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.
- 4.2 Where deemed appropriate by the committee chairman, meetings of the committee may be held telephonically or any other means whereby the participants are able to communicate effectively with each other.

5. **FREQUENCY OF MEETINGS**

- 5.1 The committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 5.2 Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board chairman, the chief executive, the chief financial officer, the external audit lead partner and the head of internal audit.

6. **NOTICE OF MEETINGS**

- 6.1 Meetings of the committee shall be convened by the secretary of the committee at the request of any of its members or at the request of the external audit lead partner, chief financial officer, head of internal audit or the CRO.

- 6.2 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 and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees as appropriate, at the same time.

7. **MINUTES OF MEETINGS**

- 7.1 The secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of committee meetings shall be circulated promptly to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the committee chairman.

8. **ANNUAL GENERAL MEETING**

The committee chairman should attend the annual general meeting to answer shareholder questions on the committee's activities.

9. **DUTIES**

The committee should carry out the duties below for the Group as a whole.

9.1 **Financial reporting**

9.1.1 The committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, prospectuses, trading updates, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the auditor.

9.1.2 In particular, the committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company or Group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the business review and the corporate governance statements relating to audit and risk management.

9.1.3 Where the committee is not satisfied with any aspect of the proposed financial reporting by the Company, it shall report its views to the Board.

9.2 **Narrative reporting**

Where requested by the Board, the committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and

understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

9.3 Internal controls and risk management

The committee shall:

- 9.3.1 advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment and drawing on financial stability assessments such as those published by relevant industry and regulatory authorities in the countries in which the Group operates and other authoritative sources that may be relevant for the Company's risk policies;
- 9.3.2 oversee, and advise the Board on, the current risk exposures of the Company and future risk strategy;
- 9.3.3 in relation to risk assessment:
 - (a) keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
 - (b) review regularly and approve the parameters used in these measures and the methodology adopted; and
 - (c) set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance,
- 9.3.4 review the Company's capability to identify and manage new risk types;
- 9.3.5 review the Group's credit risk, market risk, interest rate risk, liquidity risk, legal and regulatory risk and operational risk exposures by reference to the Group's risk appetite and capital adequacy. To include but not limited to:
 - (a) Reviewing the Enterprise Risk Management Framework ("**ERM Framework**") by which the Group's existing and forecast risk positions and the resulting capital absorption are calculated and monitored;
 - (b) Monitoring on an on-going basis the Group's actual and forecast risk and regulatory capital positions;
 - (c) Recommending for full Board consideration changes to capital utilisation, including utilisation of any spare capital available to the Group, or raising of additional capital as required;
 - (d) Reviewing the ERM Framework by which the Group's existing and forecast liquidity risk position and liquid assets are calculated and monitored; and
 - (e) Monitoring on an on-going basis the Group's actual and forecast liquidity position,
- 9.3.6 before a decision to proceed on proposed strategic transactions including acquisitions or disposals is taken by the Board, ensuring that a due diligence appraisal of the proposition is undertaken, focussing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available;

- 9.3.7 review reports on any material breaches of risk limits and the adequacy of proposed action;
- 9.3.8 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;
- 9.3.9 provide qualitative and quantitative advice to the remuneration committee on risk weightings to be applied to performance objectives incorporated in executive remuneration;
- 9.3.10 review the Company's procedures for detecting fraud;
- 9.3.11 review the Company's procedures for the prevention of bribery;
- 9.3.12 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 and other restrictions;
- 9.3.13 recommend to the Board the appointment and/or removal of the CRO;
- 9.3.14 review promptly all reports on the Company from the CRO;
- 9.3.15 review and monitor management's responsiveness to the findings and recommendations of the CRO;
- 9.3.16 ensure the CRO shall be given the right of unfettered direct access to the chairman of the Board and to the committee;
- 9.3.17 work and liaise as necessary with all other Board committees;
- 9.3.18 ensure that the assurance coverage obtained from the Company's executive directors, internal assurance providers and external assurance providers is applied to provide a co-ordinated approach with regard to risk management; and
- 9.3.19 maintain open lines of communication between the Board and the Company's risk management, internal and external auditors and compliance officers.

9.4 **Compliance, whistleblowing and fraud**

The committee shall:

- 9.4.1 review the adequacy and security of the Company's arrangements for its employees and contractors 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;
- 9.4.2 review the Company's procedures for detecting fraud;
- 9.4.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 9.4.4 review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and

- 9.4.5 review regular reports from the Company's compliance officer and review the adequacy and effectiveness of the Company's compliance function and consider and advise the Board regarding the steps which have been taken to secure compliance by the Company with all applicable legislation.

9.5 Internal audit

The committee shall:

- 9.5.1 approve the appointment or termination of appointment of the head of internal audit, or the relevant outsourcing partner if the audit and risk committee determines that the internal audit function should be outsourced;
- 9.5.2 review and approve the charter of the internal audit function and ensure that the internal audit function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors. The committee shall also ensure that the internal audit function has adequate standing and is free from management or other restrictions;
- 9.5.3 ensure the internal auditor has direct access to the Board chairman and to the committee chairman, and is accountable to the committee;
- 9.5.4 review and assess the annual internal audit work plan;
- 9.5.5 receive a report on the results of the internal auditor's work on a periodic basis;
- 9.5.6 review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- 9.5.7 meet with the head of internal audit at least once a year without the presence of management;
- 9.5.8 monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system; and
- 9.5.9 ensure that the internal audit function is subject to an independent quality review as and when the committee deems it appropriate.

9.6 External audit

The committee shall:

- 9.6.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- 9.6.2 the committee shall oversee the selection process for a new auditor and if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 9.6.3 ensure that at least once every ten years the audit services contract is put out to tender to enable the committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- 9.6.4 oversee the relationship with the external auditor including (but not limited to):

- (a) recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) assessing annually their independence and objectivity taking into account all relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
 - (e) ensuring that any consultancy or work contracted with the external auditor's firm will not have any material impact on the auditor's independence;
 - (f) agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
 - (g) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
 - (h) assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
 - (i) seeking to ensure co-ordination with the activities of the internal audit function; and
 - (j) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
- 9.6.5 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 one month before the Board meets to approve the financial statements. The committee shall also meet at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 9.6.6 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 9.6.7 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) key accounting and audit judgements;
 - (c) levels of errors identified during the audit; and
 - (d) the effectiveness of the audit process.

The committee shall also:

- 9.6.8 review any representation letters requested by the external auditor before they are signed by management;
- 9.6.9 review any management letters and management's response to the auditor's findings and recommendations; and
- 9.6.10 develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

10. **REPORTING RESPONSIBILITIES**

- 10.1 The committee chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:
 - 10.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 9.1.1) and how these were addressed;
 - 10.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 9.6.4) and its recommendation on the appointment or reappointment of the external auditor;
 - 10.1.3 an annual review of the effectiveness of the internal audit process, including the Company's adherence to financial, operational, risk management and compliance requirements; and
 - 10.1.4 any other issues on which the Board has requested the committee's opinion.
- 10.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The committee shall compile a report on its activities to be included in the Company's annual report. The report should include an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; the Company's risk management and strategy; and all other information requirements set out in the UK Corporate Governance Code.
- 10.4 In compiling the reports referred to in paragraphs 10.1 and 10.3, the committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

11. **OTHER MATTERS**

- 11.1 The committee shall:
 - 11.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company secretary for assistance as required;
 - 11.1.2 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;

- 11.1.3 give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules, as appropriate;
- 11.1.4 be responsible for co-ordination of the internal and external auditors;
- 11.1.5 oversee any investigation of activities which are within its terms of reference; and
- 11.1.6 work and liaise as necessary with all other Board committees.

12. **AUTHORITY**

- 12.1 The committee is authorised by the Board to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so on any matters within its terms of reference.
- 12.2 The committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and to request the attendance of any employee at a meeting of the committee as and when required.
- 12.3 The committee is authorised to perform each of the specific duties and undertake each of the reporting responsibilities contained in these terms of reference and has the power to delegate authority to any sub-committees or individuals, as it deems appropriate.
- 12.4 The committee is authorised to publish in the Company's annual report, details of any issues that cannot be resolved between the committee and the Board.

13. **AMENDMENTS TO THE TERMS OF REFERENCE**

The committee shall review its terms of reference on an annual basis to ensure that it is operating with maximum effectiveness and may recommend any changes it considers necessary to the Board for approval.