

Audit Committee

Terms of Reference (TOR) / CCG 2019:

The board of directors of every company shall determine the terms of reference of the audit committee. The board of directors shall provide adequate resources and authority to enable the audit committee to carry out its responsibilities effectively. The terms of reference of the audit committee shall be explicitly documented and shall also include the following:

- a) Determination of appropriate measures to safeguard the company's assets;
- b) Review of annual and interim financial statements of the company, prior to their approval by the Board of Directors, focusing on:
 - (i) Major judgmental areas;
 - (ii) Significant adjustments resulting from the audit;
 - (iii) Going concern assumption;
 - (iv) Any changes in accounting policies and practices;
 - (v) Compliance with applicable accounting standards;
 - (vi) Compliance with these regulations and other statutory and regulatory requirements;
 - (vii) All related party transactions.
- c) Review of preliminary announcements of results prior to external communication and publication;
- d) Facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight (in the absence of management, where necessary);
- e) Review of management letter issued by external auditors and management's response thereto;
- f) Ensuring coordination between the internal and external auditors of the company;
- g) Review of the scope and extent of internal audit, audit plan, reporting framework and procedures and ensuring that the internal audit function has adequate resources and is appropriately placed within the company;
- h) Consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
 - (i) Ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;

- j) Review of the company's statement on internal control systems prior to endorsement by the board of directors and internal audit reports;
- k) instituting special projects, value for money studies or other investigations on any matter specified by the board of directors, in consultation with the chief executive officer and to consider remittance of any matter to the external auditors or to any other external body;
- l) Determination of compliance with relevant statutory requirements;
- m) Monitoring compliance with the these regulations and identification of significant violations thereof;
- n) Review of arrangement for staff and management to report to audit committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommend instituting remedial and mitigating measures;
- o) Recommend to the board of directors the appointment of external auditors, their removal, audit fees, the provision of any service permissible to be rendered to the company by the external auditors in addition to audit of its financial statements. The board of directors shall give due consideration to the recommendations of the audit committee and where it acts otherwise it shall record the reasons thereof;
- p) Consideration of any other issue or matter as may be assigned by the board of directors.

Terms of Reference (TOR) by Bata Group:

1. Review and update the terms of reference of the AC, annually.
2. Recommend to the Board the appointment, reappointment, and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors.
3. Review the scope and results of the internal and external audits and their cost effectiveness, and the independence and objectivity of the external auditors. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.
4. Review and ascertain the independence of the Head of Internal Audit and external auditors, annually.
5. Review and concur with the Board of Directors in the appointment, replacement, reassignment or dismissal of the Head of Internal Audit.

6. Review with the Head of Internal Audit, the external auditors, management and such other persons as necessary, significant risks or exposures that exist and assess the steps management has taken to minimize such risks to the Group.
7. Review and approve the audit scope and plan of the Head of Internal Audit and the external auditors, and the coordination of audit efforts to maximize coverage and effective use of audit resources.
8. Review with the Finance Director and the external auditors, Head of Internal Audit, and the Company Secretary, as appropriate, the following:
 - (a) the Group's quarterly and audited annual financial statements, and the integrity of financial reporting, including the appropriateness of the accounting principles adopted in their preparation and compliance with all reporting requirements and regulations. The AC shall recommend to the Board the approval and adoption of the quarterly and audited annual financial statements;
 - (b) the external auditor's audit of the annual financial statements and reports thereon;
 - (c) the adequacy of the Group's system of internal controls with the Head of Internal Audit and the external auditors;
 - (d) the assistance given by the Group's officers to the internal and external auditors;
 - (e) any related significant findings and recommendations of the external auditors and internal auditors, together with management's responses thereto;
 - (f) any significant changes required in the internal and external auditors plans, any serious difficulties or disputes with management encountered during the audits and their resolution, and other matters related to the conduct of the audits;
 - (g) the adequacy of the resources provided to internal audit in carrying out their work, their standing within the Group, and whether there was any restriction on the scope of their work or access to information.
9. Review the policies and procedures established to regulate interested party transactions and review interested party transactions on a periodic basis to ensure compliance with the Group's policies and procedures, including internal controls.
10. The AC shall commission and review the findings of internal investigations if it becomes aware of any suspected fraud or irregularity, failure of internal control, or suspected infringement of any law or regulation which is likely to have a material impact on the Group's operating results or financial position, and report the matter to the Board.