

# Terms of Reference

**Audit Committee**

**22 April 2015**

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## DOCUMENT CONTROL

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| <b>Document Title</b>    | Singapore Exchange Audit Committee (AC) Terms of Reference |
| <b>Owned By</b>          | Internal Audit (IA) and Company Secretary's Office (CSO)   |
| <b>Distribution List</b> | All SGX staff  |
| <b>Version No.</b>       | 1.7  |

## DOCUMENT HISTORY

| Version | Version Date | Written & Updated by | Reviewed & Approved by | Description of Change(s)  |
|---------|--------------|----------------------|------------------------|---|
| 1.0     | 14 May 2004  | IA                   | Board                  | Changes due to creation of Compliance function  |
| 1.1     | 18 Nov 2004  | IA                   | Board                  | To include Board's directions at 16 Sept 2004 Board meeting and standardize terms and template across all TORs.   |
| 1.2     | 26 Oct 2006  | IA                   | Board                  | Changes to Paragraphs 2, 3, 8, 25, 34, 36, 37 and 45 due to revised Companies Act, Securities and Futures Regulations, Listing Manual and Code of Corporate Governance 2005.  |
| 1.3     | 27 Jul 2007  | IA                   | Board                  | Changes to Paragraphs 9, 19, 24-30, 32, 33, 36, 38, 40.   |
| 1.4     | 29 Oct 2009  | IA                   | Board                  | To clarify the accountability of the AC TOR and review other aspects of the TOR and, where possible, standardize the wording of the AC TOR.   |
| 1.5     | 27 Jul 2012  | IA                   | Board                  | <ol style="list-style-type: none"> <li>Changes to 3.1.1, 4.1.1, 4.4.1, 4.2.2 and 4.7.1 due to revised Code of Corporate Governance by MAS on 2 May 2012.</li> <li>Added 5.5 due to revised Code of Corporate Governance by MAS on 2 May 2012.</li> <li>Quarterly financial statements to be recommended to the Board instead of approved by AC.</li> <li>Minor editorial changes by Company Secretary.</li> </ol> |
| 1.6     | 30 Jun 2014  | IA                   | AC                     | <ol style="list-style-type: none"> <li>Editorial changes by Company Secretary and Compliance.</li> <li>Editorial changes by AC Chairman. Approved by the AC on 30 July 2014.</li> </ol>   |
|         | 21 Oct 2014  | CSO                  | Board                  |   |
| 1.7     | 20 Jan 2015  | IA                   | AC                     | <ol style="list-style-type: none"> <li>Changes to 2.1, 3.1, 4.1.2, 4.3.1, 5.1.4 and 6.2 due to revised Guidebook by ACGC on 19 August 2014.</li> <li>Added 4.1.3 and 6.3 due to revised Guidebook by ACGC on 19 August 2014.</li> <li>Editorial changes by Company Secretary.</li> </ol>  |
|         | 22 Apr 2015  | CSO                  | Board of Directors     |   |

## **1. PURPOSE**

1.1 The role of the Audit Committee (“AC”) is to review and recommend to the Board of Directors (“BOD”) for their approval of the Company’s:

1.1.1 quarterly and annual financial reports and statements;

1.1.2 audit and business processes;

1.1.3 systems of internal controls; and

1.1.4 processes to manage compliance risk.

## **2. ACCOUNTABILITY**

2.1 The AC is to support the BOD in fulfilling its oversight responsibilities in the following areas:

2.1.1 Quarterly and Annual Financial statement preparation and integrity;

2.1.2 recommendation of an appropriate firm of external auditors;

2.1.3 effectiveness of the external audit and internal audit functions; and

2.1.4 review the adequacy and effectiveness of the risk management and internal control systems regarding regulatory compliance and financial reporting risks.

## **3. AUTHORITY**

3.1 The Board has delegated to the AC the authority to investigate any matter within its terms of reference. The AC has full access to the external auditors, Head of Internal Audit (“IA”) and management, and full discretion to invite any director or executive officer to attend its meetings.

3.2 The AC has access to all appropriate company resources and in connection with its responsibilities, the AC is authorized by the Board, at the Company’s expense, to obtain any external legal or other professional advice, to appoint consultants, and to commission or purchase any relevant reports, surveys and information which it deems necessary, in discharging its duties.

## **4. DUTIES**

4.1 Financial Reporting

4.1.1 Review the significant financial reporting issues and judgements so as to obtain reasonable assurance as to the integrity and fairness of the quarterly and annual financial statements and any announcement relating to financial reporting, before making recommendations to the Board.

- 4.1.2 Recommend the quarterly financial statements, annual financial statements and the corresponding SGXNet announcements to the Board for approval.
  - 4.1.3 Carry out due-diligence when reviewing the Chief Executive Officer's ("CEO") and Chief Financial Officer's ("CFO") assurances and their basis that financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances.
- 4.2 External Audit
- 4.2.1 Review the selection of the external auditors and recommend to the Board the appointment, reappointment, termination, terms of engagement and remuneration of the external auditors.
  - 4.2.2 Review the scope of work and results of the external audit and at least annually, the independence and objectivity of the external auditors, and consider (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement to be included in the Annual Report.
  - 4.2.3 Review the nature, extent and costs of non-audit services provided by the external auditors, seeking to balance the independence and objectivity of the external auditor with the business and operational needs of the Company.
  - 4.2.4 Review the results of the audit of financial statements and consider significant findings and recommendations of the external auditors and management's responses.
  - 4.2.5 Review the external auditors' audit plans, interaction between the external and internal auditors and other matters related to the conduct of the audits.
- 4.3 Internal Audit
- 4.3.1 Review the adequacy and effectiveness of the internal audit function at least annually.
  - 4.3.2 Review the independence of the Head of Internal Audit ("IA") and ensure that he/she has direct and unrestricted access to the Chairman of the Board and the AC.
  - 4.3.3 Review and concur in the appointment, replacement or dismissal of the Head of IA.
  - 4.3.4 Review the performance and recommend the remuneration of the Head of IA.
  - 4.3.5 Review the scope of work and audit plans of the internal auditors,

including interaction with management and other matters related to the conduct of the audits.

4.3.6 Review significant findings and recommendations of the internal auditors and management's responses.

#### 4.4 Internal Controls

4.4.1 Review and report to the Board at least annually on the adequacy and effectiveness of internal controls established by management, including financial, operational, compliance, risk management and information technology controls.

#### 4.5 Compliance

4.5.1 Review the compliance framework, and the scope of work and plan of the Compliance function.

4.5.2 Review non-compliance with applicable regulations and listing rules.

4.5.3 Review compliance matters that may have a material impact on the financial statements, related exchange compliance policies and matters and reports received from regulators.

#### 4.6 Interested Person Transactions

4.6.1 Review interested person transactions.

#### 4.7 Whistleblowing and Fraud

4.7.1 Review the policy and arrangements for staff and any other persons to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence. Ensure that these arrangements allow concerns to be raised and that appropriate independent investigation of such matters, and follow up actions to be taken. Review the disclosure of the whistle-blowing policy in the Annual Report, and publicly disclose the procedures for raising such concerns as appropriate.

4.8. Report the results of investigations into suspected fraud or irregularities to the Board as appropriate.

## 5. COMPOSITION

5.1 The AC composition be made up as follows:

5.1.1 at least 3 directors, all of whom are independent from management and business relationships with the Company; and

5.1.2 at least a majority of members (including the Chairman) who are independent directors.

- 5.1.3 all members being non-executive directors; and
- 5.1.4 at least 2 members (including the AC Chairman) shall have recent and relevant accounting or related financial management expertise or experience as the Board interprets such qualification in its business judgment.
- 5.2 The independence of the members of the AC shall be determined in accordance with the prevailing Securities and Futures (Corporate Governance of Approved Exchanges, Designated Clearing Houses and Approved Holding Companies) Regulations 2005.
- 5.3 A member of the AC shall hold office until the next Annual General Meeting following that member's appointment and may be re-appointed to such office.
- 5.4 If the number of members of the AC fall below 3, the Board shall, within 3 months, appoint new members to the AC to make up the minimum number of 3. Any new member appointed shall hold office for the remainder of the term of office of the member of the AC in whose place he is appointed.
- 5.5 A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.

## **6. MEETINGS AND PROCEEDINGS**

- 6.1 Meetings and proceedings of the meetings of the AC shall be governed by the provisions set out in Appendix A.
- 6.2 The external auditors or the Head of IA may request a meeting whenever necessary.
- 6.3 The AC shall meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of management, at least annually.
- 6.4 The AC shall meet with other committees, management, the Head of Internal Audit, the Head of Compliance and the external auditors, in separate sessions, if necessary.

## **7. STAFF FUNCTION / SECRETARY OF AC**

- 7.1 The Head of IA shall provide the staff function for the AC. He/She shall propose the agenda of the meeting and take action on issues and matters arising from the meetings of the AC.
- 7.2 The Company Secretary or his/her nominee shall act as the secretary of the AC (the "Secretary").

## **Meetings and Proceedings**

1. In addition to the meetings as scheduled in the calendar of Board and Board Committees, the AC may regulate its own procedures and in particular the calling of meetings, the notice to be given of such meetings, the voting and proceedings thereat. The Secretary shall, on the requisition of a member, summon a meeting of the members.
2. Seven days' notice, or such shorter notice as may be agreed by members, will be given by the Secretary, specifying the place, time and agenda of the meeting. A copy of the notice shall also be sent to the external auditors.
3. The quorum necessary for the transaction of the business of the AC shall be 2, provided that both shall be independent directors.
4. If, at any meeting, the Chairman is not present within 15 minutes after the time appointed for holding the meeting, the members present may choose one of the other independent members to be Chairman of the meeting.
5. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.
6. A resolution in writing, signed by a majority of the members for the time being entitled to receive notice of a meeting of the AC (of which a majority shall be independent), shall be valid as effectual as if it had been passed at a meeting of the AC duly convened and held. Any such resolution may consist of several documents in like form, each signed by one or more members.
7. Minutes of proceedings of meetings of the AC shall be recorded by the Secretary and circulated to all the members. The minutes are to be signed by the Chairman of the meeting. The minute books shall be kept by the Secretary and shall be open for inspection by any director of the Company.
8. The Chairman of the AC shall report on the proceedings of the AC to the Board by way of submission of minutes of the AC meetings or by such other mode as the Chairman shall in his discretion deem fit.
9. The AC may invite members of management or others to attend the meeting and provide pertinent information as necessary.

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