

Appendix A

Audit Committee

5.117 The Issuer shall establish and maintain an audit committee which satisfies the following criteria:

5.117.1 it should be composed entirely of non-executive Directors and having at least three (3) members:-

5.117.2 ~~The majority of such members shall be non-executive Directors independent of the Issuer:-~~

5.117.3 aAt least one member of the audit committee shall ~~be independent and shall be~~ competent in accounting and/or auditing: and-

5.117.4 ~~The chairman of the audit committee shall be appointed by the board of directors of the Issuer and shall be independent of the Issuer, chaired by a non-executive Director.~~

5.118 It shall be the responsibility of the Board to determine who of the Directors satisfy the competence and independence criteria set out in Listing Rule 5.117. The Board shall also ensure that the committee members as a whole have competence relevant to the sector in which the Issuer is operating. and

5.118A ~~The such Directors shall be identified in the~~ corporate governance statement ~~that is required to be made~~ under Listing Rule 5.97 shall clearly indicate the independent members and the member/s competent in accounting and/or auditing together with the reasons why these members are considered by the Board as independent and competent in accounting and/or auditing. In the said corporate governance statement the Board shall also include the reasons why it considers that the committee members as a whole have the relevant competence as required in Listing Rule 5.118 above ~~chosen Directors to be independent and competent in accounting and/or auditing.~~

5.119 For the purposes of this section a Director shall be considered independent only if he is free of any business, family, or other relationship with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair his judgement. The Board of the Issuer shall take into account the following situations when determining the independence or otherwise of a director:

5.119.1 whether the director has been an executive officer or employee of the Issuer or a subsidiary or parent of the Issuer, as the case may be, within the last three years;

5.119.2 whether the director has, or has had within the last three years, a significant business relationship with the Issuer either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Issuer;

5.119.3 whether the director has received or receives significant additional remuneration from the Issuer or any member of the Group of which the Issuer forms part in addition to a director's fee, such as participation in the Issuer's share option or a performance-related pay scheme, or membership of the Issuer's pension scheme, except where the benefits are fixed;

5.119.4 whether he has close family ties with any of the Issuer's executive Directors or senior employees;

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- 5.119.5 whether he has served on the Board of the Issuer for more than twelve consecutive years; or
- 5.119.6 whether he is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Issuer or any member of the group of which the Issuer forms part.
- 5.120 For the purposes of Listing Rule 5.119.2 “business relationship” includes the situation of a significant supplier of goods or services (including financial, legal, advisory or consulting services), of a significant customer, and of organisations that receive significant contributions from the Issuer or its group.
- 5.121 In addition to anything contained in the Memorandum or Articles of Association of the Issuer relating to the nomination and appointment of Directors, when the Board of the Issuer is receiving nominations for Directors and none of the persons nominated satisfy the independence and competence criteria referred to in Listing Rule 5.117, the Board may nominate a person that satisfies these requirements.
- 5.122 If none of the persons elected as Directors of the Issuer satisfy the independence and competence criteria prescribed by Listing Rule 5.117, the Board shall have the right to appoint an additional Director that satisfies the said criteria. This right may only be exercised as long as there is a vacancy in the Board and provided the maximum number of Directors stipulated by the Memorandum and Articles of Association of the Issuer is not exceeded.
- 5.123 The obligation to establish an audit committee shall not apply to:
- 5.123.1 an Issuer of Debt Securities which is a Subsidiary Undertaking provided that an audit committee which is compliant with these Listing Rules and which the Listing Authority considers to be satisfactory is set up at the ultimate Parent Undertaking;
- 5.123.2 an Issuer which is a UCITS ~~in terms of article 1(2) of Directive 85/611/EEC as defined in Article 1 (2) of Directive 2009/65/EC of the European Parliament and of the Council or an alternative investment fund as defined in Article 4 (1) (a) of Directive 2011/61/EU of the European Parliament and of the Council;~~
- ~~5.123.3 an Issuer the sole object of which is the collective investment of capital provided by the public, which operates on the principle of risk spreading and which does not seek to take legal or management control over any of the issuers of its underlying investments, provided that such collective investment undertaking is authorised and subject to supervision by competent authorities and it has a depositary exercising functions equivalent to those under Directive 85/611/EEC;~~
- 5.123.4 an Issuer the sole business of which is to issue asset backed securities, provided that the Issuer explains to the public, by means of a Company Announcement, the reasons for which it considers it inappropriate to have an audit committee;
- 5.124 For the purposes of Listing Rule 5.123.4, “asset backed securities” means securities which:
- 5.124.1 represent an interest in assets, including any rights intended to assure servicing, or the receipt or timeliness of receipts by holders of assets, of amounts payable thereunder; or
- 5.124.2 are secured by assets and the terms of which provide for payments which relate to payments or reasonable projections of payments calculated by reference to identified or identifiable assets.

5.125 ~~In the case of Issuers whose securities are already admitted to listing on a Regulated Market in Malta, the exemptions referred to in Listing Rule 5.123 shall not be automatically operative. Such Issuers may, within two months from the coming into force of this Listing Rule, apply in writing to the Listing Authority setting out the reasons why it qualifies for one or more of the said exemptions. The Listing Authority may accept or dismiss an application submitted to it in terms of this Listing Rule and, when accepting such application, the Listing Authority may subject it to such conditions as it may deem appropriate.~~

5.126 The primary purpose of the audit committee is to protect the interests of the company's shareholders and assist the Directors in conducting their role effectively so that the company's decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

5.127 Without prejudice to Listing Rule 5.117, the Issuer shall determine the terms of reference, life span, composition, role and function of such committee and shall establish, maintain and develop appropriate reporting procedures, provided that the main role and responsibilities of the audit committee shall include:

5.127.1A informing the Board of Directors of the Issuer of the outcome of the statutory audit and explaining how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;

~~5.127.1 the monitoring of the financial reporting process and submitting recommendations or proposals to ensure its integrity;~~

~~5.127.2 the monitoring of the effectiveness of the company's internal quality control and risk managements system and, where applicable, its internal audit, regarding the financial reporting of the Issuer, without breaching its independence, internal audit where applicable, and risk management systems;~~

~~5.127.3 the monitoring of the audit of the annual and consolidated financial statements, in particular, its performance, taking into account any findings and conclusions by the competent authority pursuant to Article 26 (6) of the Statutory Audit Regulation; accounts;~~

5.127.4 reviewing the additional report prepared by the statutory auditor/s or audit firm/s submitted to the Audit Committee in terms of Article 11 of the Statutory Audit Regulation. The Audit Committee may disclose the additional report to third parties in order to execute its functions in line with the terms of reference;

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5.127.5 reviewing and monitoring the independence of the statutory auditors or the audit firms in accordance with Articles 22, 22a, 22b, 24a and 24b of the Directive 2006/43/EC on statutory audits of annual accounts and consolidated accounts, amending Council Directive 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC and Article 6 of the Statutory Audit Regulation and in particular the appropriateness of the provision of non-audit services to the audited entity in accordance with Article 5 of the Statutory Audit Regulation;

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~~5.127.4 the maintenance of communication on such matters between the Board, management, the external Auditors and the internal Auditors;~~

5.127.65 the responsibility for the procedure for the selection of statutory auditor/s or audit firm/s; the making of recommendations to the Board in relation to the appointment of the external Auditor and the approval of the remuneration and terms of engagement of the external Auditor following appointment by the shareholders in general meeting;

~~5.127.67 recommending the statutory auditor/s or the audit firm/s to be appointed in accordance with Article 16 of the Statutory Audit Regulation, the monitoring and reviewing of the external Auditor's independence, and in particular the provision of additional services to the Issuer.~~

~~5.127.7 the development and implementation of a policy on the engagement of the external Auditor to supply non-audit services.~~

- 5.128 The Issuer shall ensure that the Audit Committee establishes internal procedures and shall monitor these on a regular basis.
- 5.129 The external Auditor shall report to the audit committee on key matters arising from the audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.
- 5.130 The audit committee shall establish and maintain access between the internal and external Auditors of the Company and shall ensure that this is open and constructive.
- 5.131 The audit committee shall meet at least four times a year. The head of Internal Audit should attend the meetings of this Committee.
- 5.132 When the audit committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board on action needed to address the issue or make improvements. The Board shall satisfy itself that any issues raised by the audit committee and the external Auditor and communicated to the Board have been adequately addressed.
- 5.133 The Issuer shall inform the Listing Authority how the audit committee is constituted, identifying clearly that independent member of the committee who is competent in accounting and/or auditing as required by Listing Rule 5.117 and providing the reasons why such member is deemed to satisfy the independence and competence criteria set out in the said Listing Rule. The Issuer shall also provide the Listing Authority with the terms of reference of the audit committee and shall inform the Listing Authority, without delay, of any changes to the above.
- 5.134 The terms of reference of the audit committee should provide sufficient guarantees and safeguards for the protection of the rights of shareholders and particularly with respect to related party transactions. They should also prohibit any member of the audit committee who has a direct or indirect interest in any contract, transaction or arrangement that is brought before the committee from being present at, and from voting, at any meeting of the committee during which such contract, transaction or arrangement is being discussed.
- 5.134A In so far as the requirements relating to the audit committee are concerned, an Issuer shall also refer to and comply with the relevant provisions of the Statutory Audit Regulation, in particular with Articles 16 and 17 of Title III of the said Regulation, relating to the appointment of statutory auditors or audit firms.