

MAURITIUS TURF CLUB
“MTC”
TERMS OF REFERENCE OF THE AUDIT AND RISK COMMITTEE
(the “Committee”)

1. PURPOSE

To assist the Board of Administrators in fulfilling its oversight responsibilities for (1) the integrity of the Association's financial statements, (2) the Association's compliance with legal and regulatory requirements, (3) the functioning of the Association's internal audit department, scope and results of the external audit, its cost effectiveness and the nature and extent of non-audit services (4) the functioning of the internal control system (5) the risk areas of the Association's operations to be covered in the scope of the internal and external audits (6) the reliability and accuracy of the financial information provided by management to the board and other users of financial information (7) the financial information to be provided by the board of Association.

These terms of reference should be readily available through the web site of the Association.

2. AUTHORITY

The Committee has authority to conduct or authorise investigations into any matters within its scope of responsibility. It is empowered to:

- 2.1 Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the Committee.
- 2.2 Resolve any disagreements between management and the auditor regarding financial reporting.
- 2.3 Pre-approve all auditing and permitted non-audit services performed by the Association's external audit firm.
- 2.4 Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation.
- 2.5 Seek any information it requires from employees--all of whom are directed to cooperate with the committee's requests or external parties.
- 2.6 Meet with Association's officers, external auditors, or outside counsel, as necessary.
- 2.7 The Committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full Committee at its next scheduled meeting.

3. COMPOSITION

- 3.1 The Committee shall be composed of three (3) Administrators of the Board. The board of Administrators may nominate a maximum of two additional member to form part of the committee. Any additional members should be Founding members of the MTC. Each Committee member should be independent and financially aware.
- 3.2 Persons who have served on this Committee until the conclusion of the Annual Members' Meeting shall be eligible for reappointment.
- 3.3 The Committee shall be appointed annually by the incoming Board of Administrators after their election at the Annual Members' Meeting.
- 3.4 The Board of Administrators will nominate the Chairperson of the Committee at the first meeting after the Annual Members' Meeting.
- 3.5 The Chairperson of the Committee will continue to serve until the next Chairman is appointed.
- 3.6 Members of the Committee shall not be permitted to appoint alternates or proxies to act in their stead

4. MEETINGS

- 4.1 The Committee will meet at least four (4) times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference.
- 4.2 The Committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will meet separately, periodically, with management, with internal auditors and with external auditors. It will also meet periodically in executive session.
- 4.3 Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
- 4.4 Minutes will be prepared by any person or Company designated by the committee who shall serve as the secretary of this Committee.
- 4.5 The quorum of the Committee shall, if there are three (3) members, be two (2) and if there are four (4) or five (5), be three (3), who must remain present for the duration of the meeting.

5. RESPONSIBILITIES

The Committee will carry out the following responsibilities:

5.1 Financial Statements

Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:

- 5.1.1 Complex or unusual transactions and highly judgmental areas.
- 5.1.2 Major issues regarding accounting principles and financial statement presentations, including any significant changes in the Association's selection or application of accounting principles.
- 5.1.3 The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Association.
- 5.1.4 Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative IFRS methods on the financial statements.
- 5.1.5 Review with management and the external auditors the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.
- 5.1.6 Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors, including the Association's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- 5.1.7 Review disclosures made by the General Manager about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Association's internal controls.
- 5.1.8 Review compliance with the Registration of Association Act 1978, the Gambling Regulatory Authority Act 2007 and the Code of Corporate Governance.

5.2 Internal Control

- 5.2.1 Consider the effectiveness of the Association's internal control system, including information technology security and control.
- 5.2.2 Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

5.3 Internal Audit (if any)

- 5.3.1 Review with management and the Chief Audit Executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- 5.3.2 Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
- 5.3.3 Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
- 5.3.4 On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately.

5.4 External Audit

- 5.4.1 Recommend to the board of Administrators on an annual basis which firm(s) should be appointed/reappointed as external auditor(s). In case of change, a range of firms should be screened and the Committee should obtain proposals to enable it to arrive at its recommendation.
- 5.4.2 Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit, if any.
- 5.4.3 Ensure that the rotation of the audit partner should take place every five (5) years and the rotation of the audit firm should take place every five (5) years.
- 5.4.4 Present its conclusions with respect to the independent auditor to the full board of Administrators.
- 5.4.5 Set clear hiring policies for employees or former employees of the independent auditors.
- 5.4.6 On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.
- 5.4.7 Consider the proposed audit fees and make an appropriate recommendation to the Board of Administrators.

5.5 Compliance

- 5.5.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.

- 5.5.2 Review the findings of any examinations by regulatory agencies, and any auditor observations.
- 5.5.3 Review the process for communicating the Code of Conduct to Association's personnel, and for monitoring compliance therewith.
- 5.5.4 Obtain regular updates from management and Association legal counsel regarding compliance matters.

5.6 Risk

- 5.6.1 Review, together with the Association's legal advisor, any legal matters that could have a significant impact on the Association's business.
- 5.6.2 Review executive management reports detailing the adequacy and overall effectiveness of the Association's risk management function and its implementation by management, and reports on internal control and any recommendations, and confirm that appropriate action has been taken.
- 5.6.3 Review the risk philosophy, strategy and policies recommended by the executive management and consider reports by the executive management. The Committee will ensure compliance with such policies, and with the overall risk profile of the Association. Risk in the widest sense includes market risk, credit risk, liquidity risk, operation risk and commercial risk, which together cover detailed combined risks such as:
 - Country risk;
 - Technology risk;
 - Price risk;
 - Disaster recovery risk;
 - Operational risk;
 - Prudential risk;
 - Reputational risk
 - Competitive risk;
 - Legal risk
 - Compliance and control risks;
 - Sensitivity risks, e.g. environmental, health and safety;
 - Concentration of risks across a number of portfolio dimensions;
 - Debtors collection and credit risks;
 - Investment risk;
 - Other risks appropriate to the business which may be identified from time to time.
- 5.6.4 Review the adequacy of insurance coverage.
- 5.6.5 Review risk identification and measurement methodologies.

- 5.6.6 Monitor procedures to deal with and review the disclosure of information.
- 5.6.7 Have due regard for the Principles of Governance and Codes of Best Practice.
- 5.6.8 Liaise with the Board of Administrators in respect of the preparation of the Committee's report to members as required.

6. REPORTING RESPONSIBILITIES

- 6.1 Regularly report to the Board of Administrators about Committee activities and issues that arise with respect to the quality or integrity of the Association's financial statements, the Association's compliance with legal or regulatory requirements, the performance and independence of the Association's independent auditors, and the performance of the internal audit function, if any.
- 6.2 Provide an open avenue of communication between internal audit, if any, the external auditors, and the Board of Administrators.
- 6.3 Report annually to the members, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- 6.4 Review any other reports the Association issues that relate to Committee's responsibilities.

7. OTHER RESPONSIBILITIES

- 7.1 Perform other activities related to this Terms of Reference as requested by the Board of Administrators.
- 7.2 Institute and oversee special investigations as needed.
- 7.3 Review and assess the adequacy of the Committee's Terms of Reference annually, requesting Board's approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- 7.4 Confirm annually that all responsibilities outlined in this Terms of Reference have been carried out.
- 7.5 Evaluate the Committee's and individual members' performance at least annually during the Board Evaluation process.

These Terms of Reference were adopted by the Board of Administrators on 21st April 2015.