



## **Audit, Risk and Related Party Committee Charter**

### **PURPOSE/OBJECTIVES**

The principal responsibility of the committee is to assist the board in fulfilling its corporate governance and fiduciary oversight responsibilities in relation to the risk management, internal control systems, accounting policies and practices, internal and external audit functions and financial reporting of Paxys, Inc. and its subsidiaries.

The committee is also tasked to assist the board in ensuring transparency and fairness for all stakeholders by reviewing and approving proposed related party transactions for purposes of determining whether such transactions are within arm's length basis.

### **AUTHORITY**

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. Employees are to cooperate fully with the Audit Committee members.

- The committee is authorized to investigate any matter within the scope of its responsibilities and make appropriate recommendations to the board.
- The committee will have unrestricted access to senior management of Paxys, Inc. and its subsidiaries, and to company records as required.
- The committee is authorized to meet with the external and internal auditors, without any other member of management being present, as the Committee deems appropriate.
- The committee is authorized to obtain any independent legal or other professional advice that it considers necessary to execute its functions.
- The committee is authorized to expend organizational resources whenever necessary to fulfill its responsibilities.

### **COMPOSITION**

The Audit, Risk and Related Party Transactions Committee will comprise of at least three and no more than six members of the Board of Directors. The Board or its nominating committee will appoint committee members and the committee chairman.

The Committee Chairman should be independent (must not be the Chairman of the Board) and members should be financially literate. At least one member shall be a "financial expert", as defined by applicable legislation and regulation. At least one member should have a significant relevant understanding of the business of the Group.

## **MEETINGS**

The committee will meet at least three (3) 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. The committee will invite members of management, external auditors, internal auditors and/or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and executive sessions as necessary. Meeting agendas will be prepared and provided in advance to members, along with executive reports. Minutes will be prepared and to be kept by the corporate secretary and shall be accessible to all members of the board.

Recommendations of the committee are referred to the board for approval, with the exception of the external and internal audit plans.

## **RESPONSIBILITIES**

The scope of its responsibility entails serving as the focal point for communication between and among the:

- Board of Directors
- External Auditors
- Internal Auditors
- Risk Management Group
- Executive Management

The committee will carry out the following responsibilities:

### **(1) Financial Reporting Process**

1. Review with the external and internal auditors, significant accounting and reporting issues, significant adjustments recommended, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
2. Review with management, the external and the internal auditors, the results of the audit, including any difficulties encountered.
3. Review with the General Counsel the status of legal matters that may have an effect on the financial statements.
4. Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
5. Review with the head of the internal audit and the external auditor the coordination of audit effort to assure completeness of coverage, reduction of redundant efforts, and the effective use of audit resources.

## **(2) System of Risk Management**

6. The primary purpose of the committee concerning risk management is to assist the Board in defining the group's risk appetite and oversee the group's risk profile and performance against the defined risk appetite.
7. Review and assess the effectiveness of the organization's risk management system, including risks of information technology systems, and that the company is able to optimize its opportunities through its risk management program.
8. Inquire of management, the head of the internal audit, the risk management head, and the external auditor about significant risks or exposures and assess the steps management has taken to minimize such risks to the company.

## **(3) System of Internal Control**

9. Ensure that the organization has a comprehensive policy on internal control and compliance.
10. Consider and review with the external and internal auditors, the effectiveness of the organization's internal control system, including information technology security and control.
11. 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 thereto.
12. Review the role of the internal auditor in the corporate governance process, including corporate governance documentation and training.

## **(4) Internal Audit Process**

13. Oversee the selection process for the Chief audit executive and review and concur in his/her appointment, replacement, or dismissal.
14. Assure and maintain, through the organizational structure of the organization and by other means, the independence of the internal audit process.
15. Ensure that internal auditors have access to all documents, information and systems in the organization.
16. Ensure there are no unjustified restrictions or limitations placed on the Chief Audit Executive and internal audit staff.
17. Review with management and the Chief Audit Executive the charter, objectives, plans, activities, staffing, budget, qualifications and the organizational structure of the Internal Audit Department.

18. Review significant audit findings for the year and management's responses thereto, including the responsiveness and timeliness of management's actions pertaining to any reported findings and recommendations.
19. Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing*.
20. On a need basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately.

#### **(5) External Audit of the Financial Statements**

21. Review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit.
22. Recommend the appointment, retention and discharge, and review the performance, of the external auditor.
23. Review and recommend the compensation of the external auditor.
24. Review and recommend for approval of the full board, the audited financial statements, associated management letter, attestation on the effectiveness of the internal control structure and procedures for financial reporting, other required auditor communications, and all other auditor reports and communications relating to the financial statements.
25. Review the responsiveness and timeliness of management's follow-up activities pertaining to any reported findings and recommendations.
26. On a need basis, meet separately with the external auditor to discuss any matters that the committee or auditors believe should be discussed privately.

#### **(6) Related Party Transactions (RPTs)**

27. Evaluates on an ongoing basis the existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs and changes in relationships should be reflected in the relevant reports to the Board and regulators/supervisors.
28. Evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g., price, commissions, interest rates, fees, tenor, collateral requirement) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions. In evaluating RPTs, the Committee takes into account, among others, the following:

- The related party's relationship to the company and interest in the transaction;
- The material facts of the proposed RPT, including the proposed aggregate value of such transaction;
- The benefits to the corporation of the proposed RPT;
- The availability of other sources of comparable products or services; and
- An assessment of whether the proposed RPT is on terms and conditions that are comparable to the terms generally available to an unrelated party under similar circumstances. The company should have an effective price discovery system in place and exercise due diligence in determining a fair price for RPTs.

29. Ensures that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities relating to the company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest. The disclosure should include information on the approach to managing material conflicts of interest that are inconsistent with such policies, and conflicts that could arise as a result of the company's affiliation or transactions with other related parties.

30. Reports to the Board of Directors on a regular basis, the status and aggregate exposures to each related party, as well as the total amount of exposures to all related parties.

31. Ensures that transactions with related parties, including write-off of exposures are subject to a periodic independent review or audit process.

32. Oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including a periodic review of RPT policies and procedures.

#### **(7) Organization's Processes for Monitoring Compliance**

33. 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 noncompliance.

34. Review the process for communicating to all affected parties the ethics policy, code of conduct and fraud policy to organization personnel, and for monitoring compliance therewith.

35. Obtain regular updates from management and organization legal counsel regarding compliance matters.

#### **(8) Special Investigations and Whistleblower Mechanism**

30. Provide an appropriate confidential mechanism for whistleblowers to provide information on potentially fraudulent transactions and breaches of internal control, without fear of retribution to the employee.

**(9) Committee Management and Reporting Responsibilities**

- 37. Prepare an annual report to the board on the activities of the committee, including major governance and control issues and significant risks.
- 38. Perform other activities related to this charter as requested by the Board of Directors.
- 39. Confirm annually that all responsibilities outlined in this charter have been carried out. Prepare letter for inclusion in the annual report that describes the committee's composition and responsibilities, and how they were discharged.