

CHITTAGONG STOCK EXCHANGE LTD.

Terms of Reference (TOR) of Audit and Risk Management Committee

Functions:

- (i) the Audit and Risk Management Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good internal monitoring system within the business;
- (ii) the Audit and Risk Management Committee shall be responsible for internal financial, cost management audits of the Exchange periodically;
- (iii) the Audit and Risk Management Committee shall assess the risks related to investments and associated financial management of the exchange, perform benefit-cost analysis and advice the Board to make financial decisions;
- (iv) the Audit and Risk Management Committee shall:
 - (1) oversee the financial reporting process;
 - (2) monitor choice of accounting policies and principles;
 - (3) monitor Internal Control and Risk Management process;
 - (4) oversee hiring and performance of external auditors;
 - (5) review along with the management, the annual financial statements before submission to the Board for approval;
 - (6) review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval;
 - (7) review the adequacy of internal audit function;
 - (8) review statement of significant related party transactions submitted by the management;
 - (9) review Management Letters/Letter of Internal Control weakness issued by statutory auditors;
 - (10) advise the management in adopting appropriate accounting and investment policies; and
 - (11) ensure that statutory statements are submitted to the regulators in time.

Reporting of the Audit and Risk Management Committee:

(i) Reporting to the Board of Directors

- (1) The Audit and Risk Management Committee shall report on its activities to the Board of Directors.
- (2) The Audit and Risk Management Committee shall immediately report to the Board of Directors on the following findings, if any:
 - (a) report on conflicts of interests;
 - (b) suspected or presumed fraud or irregularity or material defect in the internal control system;
 - (c) suspected infringement of laws, including securities related laws, rules and regulations; and
 - (d) any other matter which should be disclosed to the Board of Directors immediately.

(ii) Reporting to the Shareholders and General Investors

Report on activities carried out by the Audit and Risk Management Committee during the year, shall be signed by the Chairman of the Committee and disclosed in the annual report of the Exchange.