

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

The Audit & Risk Committee is established to assist the Board of Directors of The Union Sugar Estates Company Limited ("USE" or the "Company") in discharging their duties in respect of safeguarding the assets of USE, the existence of adequate internal control systems and processes, the implementation of risk control measures, and the preparation of financial statements in accordance with all applicable laws and accounting standards.

The Audit & Risk Committee does not perform management functions, nor does it assume management responsibilities. It makes recommendations for approval by the Board of Directors of USE.

The Audit & Risk Committee is authorised to appoint independent counsel and other advisers as it deems necessary to carry out its duties.

These Terms of Reference may be amended, subject to the approval of the Board of USE.

1. Membership

- 1.1 Unless the Board of Directors decides otherwise and justifies same, the Audit & Risk Committee (the 'Committee') shall comprise of not less than three (3) members, Members of the Committee shall be appointed by the Board, on the recommendation of the Corporate Governance Committee, which also acts as Remuneration and Nomination Committee, in consultation with the Chairman of the Committee.
- 1.2 The Board shall appoint the Chairman of the Committee and determine the period for which he/she shall hold office.
- 1.3 The Manager shall not be eligible to be appointed as a member of the Committee, and the Chairman of the Board shall not be eligible to be appointed as Chairman of the Committee.
- 1.4 The Board shall satisfy itself that at least one (1) member of the Committee has recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- 1.5 The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.
- 1.6 Only members of the Committee have the right to attend Committee meetings. However, the Internal and External Auditors, the Manager will be invited to attend meetings of the Committee on a regular basis and other non-members may be

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

invited to attend all or part of any meeting as and when appropriate and necessary.

- 1.7** Members shall be appointed for a five (5) year term of office and, eventual appointment shall be decided by the Board of USE.

2. Secretary

- 2.1** The Company Secretary, or his or her nominee, shall act as the Secretary of the Committee. The Secretary will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

- 3.1** The quorum for any Committee meeting shall be a majority of the members.

4. Frequency of Meetings

- 4.1** The Committee shall meet at least four (4) times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2** Outside of the formal meetings, the Committee Chairman will maintain a dialogue with key individuals involved in USE's governance, including the Board Chairman, the Manager, the external audit lead partner and the Internal Auditors. The Committee Chairman, at his/her discretion, may invite other executives to attend and to be heard at meetings of the Committee.

5. Notice of Meetings

- 5.1** Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or Internal Auditors if they consider it necessary.
- 5.2** Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, any other person required to attend, no later than five (5) calendar days before the date of the meeting.

6. Minutes of Meetings

- 6.1** The Secretary shall minute the proceedings and decisions of all meetings of the

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

Committee, including recording the names of those present and in attendance.

- 6.2** The minutes shall be reviewed and approved by the members of the Committee and once approved, the Chairman of the Committee shall report to the respective Board of Directors.
- 6.3** The agenda for each Board meeting shall provide an opportunity for the Chairman of the Committee to report orally on any matters of importance as well as on the Committee's findings and shall recommend actions.

7. Annual General Meeting

- 7.1** The Committee Chairman shall use his/her best endeavours to attend the Annual General Meeting to answer Shareholders' questions on the Committee's activities.

8. Responsibilities of the Committee

The Committee should carry out the duties below for the Company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1 Financial Statements

8.1.1 The Committee will examine and review the quality and integrity of the Financial Statements of USE, including their annual and quarterly reports, and any other formal announcement relating to their respective financial performance.

8.1.2 The Committee shall review and report to the Board on significant financial reporting issues and judgements which these Financial Statements contain having regard to matters communicated to the Committee by the Auditors.

8.1.3 In particular, the Committee shall review and challenge where necessary:

8.1.3.1 The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the group;

8.1.3.2 Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;

8.1.3.3 The methods used to account for significant or unusual transactions where different approaches are possible;

8.1.3.4 Significant adjustments resulting from the Audit;

8.1.3.5 Whether USE has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

External Auditors;

- 8.1.3.6** The clarity and completeness of disclosure in USE's financial reports and the context in which statements are made;
- 8.1.3.7** All material information presented with the Financial Statements, such as the business review and the corporate governance statements relating to the audit and to risk management;
- 8.1.3.8** Where the Committee is not satisfied with any aspect of the proposed financial reporting by USE, it shall report its views to the corresponding Board of Directors;
- 8.1.3.9** The basis on which USE has been determined a going concern;
- 8.1.3.10** Capital adequacy and internal controls;
- 8.1.3.11** Compliance with the financial conditions of any loan covenants; and
- 8.1.3.12** Reviewing special documents (such as prospectuses).

8.2 Narrative Reporting

Where requested by the Board of USE the Committee shall review the content of the annual report and accounts and advise the said Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for Shareholders and other Stakeholders to assess USE's performance, business model and strategy.

8.3 Internal Controls and Risk Management Systems

The Committee shall:

- 8.3.1** Keep under review the adequacy and effectiveness of USE's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems; and
- 8.3.2** Review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

8.4 Compliance, Whistle blowing and Fraud

The Committee shall:

- 8.4.1** Review the adequacy and security of USE's procedures for their respective employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these procedures allow proportionate and independent investigation of such matters and appropriate follow up action;

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

8.4.2 Review the group's procedures for detecting fraud;

8.4.3 Review the group's systems and controls for the prevention of bribery and receive reports on non-compliance;

8.4.4 Review significant transactions not directly related to USE's normal business as the Committee might deem appropriate; and

8.4.5 Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the group.

8.5 Internal Audit

The Committee shall:

8.5.1 Approve the appointment or termination of appointment of the head of internal audit;

8.5.2 Review and approve the terms of reference of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for Internal Auditors;

8.5.3 Ensure the Internal Auditors have direct access to the Board Chairman and to the Committee Chairman, and are accountable to the Committee;

8.5.4 Review and assess the annual internal audit work plan;

8.5.5 Receive a report on the results of the Internal Auditors' work on a periodic basis;

8.5.6 Review and monitor management's responsiveness to the Internal Auditors' findings and recommendations;

8.5.7 Meet with the Internal Auditors at least once (1) a year without the presence of management;

8.5.8 Monitor and review the effectiveness of the group's internal audit function, in the context of the group's overall risk management system;

8.5.9 Safeguard USE's assets against unauthorised use or disposal; and

8.5.10 Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the group's internal control, cases of employee fraud, misconduct or conflict of interest.

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

8.6 External Audit

The Committee shall:

- 8.6.1** Consider and make recommendations to the respective Board, to be put to Shareholders for approval at the Annual General Meetings of USE in relation to the appointment, re-appointment and removal of the group's External Auditors;
- 8.6.2** Ensure that at least once every seven (7) years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent Auditors with those of other audit firms; and in respect of such tender, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and Committee members during the duration of the tendering process. Several firms should be screened and the Committee should obtain written or verbal proposals to enable it to arrive at its recommendation;
- 8.6.3** If the Auditors resign, investigate the issues leading to this and decide whether any action is required.
- 8.6.4** Oversee the relationship with the External Auditors including (but not limited to):
 - 8.6.4.1** Recommendations on their remuneration, including both fees for audit and non- audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
 - 8.6.4.2** Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.6.4.3** Assessing annually their independence and objectivity, taking into account relevant professional and regulatory requirements and the relationship with the Auditors as a whole, including the provision of any non-audit services;
 - 8.6.4.4** Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the Auditors and the group (other than in the ordinary course of business) which could adversely affect the Auditors' independence and objectivity;
 - 8.6.4.5** Agreeing with the respective Board of USE a policy on the employment of former employees of the group's Auditors, and monitoring the implementation of this policy;

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

- 8.6.4.6** Monitoring the External Auditors' compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the group compared to the turnover of the firm and benchmarking the level of fees paid to the market trend;
- 8.6.4.7** Assessing annually the qualifications, expertise and resources of the Auditors and the effectiveness of the audit process;
- 8.6.4.8** Seeking to ensure co-ordination with the activities of the internal audit function; and
- 8.6.4.9** Evaluating the risks to the quality and effectiveness of the financial reporting process.
- 8.6.5** Meet regularly with the External Auditors (including once (1) at the planning stage before the audit and once after the audit at the reporting stage) and at least once (1) a year, without management being present, to discuss the Auditors' remit and any issues arising from the audit.
- 8.6.6** Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- 8.6.7** Consider whether any significant ventures, investments or operations are not subject to external audit.
- 8.6.8** Obtain assurance from the External Auditors that adequate accounting records are being maintained.
- 8.6.9** Review the findings of the audit with the External Auditors. This shall include but not be limited to the following:
 - 8.6.9.1** A discussion of any major issues which arose during the audit;
 - 8.6.9.2** Key accounting and audit judgements;
 - 8.6.9.3** Levels of errors identified during the audit; and
 - 8.6.9.4** The effectiveness of the audit process.
- 8.6.10** Review any representation letter(s) requested by the External Auditors before they are signed by management.
- 8.6.11** Review the management letter and management's response to the Auditors' findings and recommendations.

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

8.6.12 Develop and implement policy on the supply of non-audit services by the External Auditors to avoid any threat to the Auditors' objectivity and independence, taking into account any relevant ethical guidance on the matter.

8.7 Business Conduct

The Committee shall:

8.7.1 Monitor the implementation of the group's Code of Ethics;

8.7.2 Review any statements on business conduct and ethical standards or requirements for the group and assisting in developing such standards and requirements;

8.7.3 Ensure compliance with the requirements of the Constitutions of USE laws and regulations of any other applicable statute and of controlling bodies;

8.7.4 Identify any violations of ethical conduct; and

8.7.5 Give recommendations on any potential conflict of interest or questionable situations of a material nature.

9. Reporting Responsibilities

9.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

9.1.1 The significant issues that it considered in relation to the Financial Statements and how these were addressed;

9.1.2 Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the External Auditors; and

9.1.3 Any other issues on which the Board has requested the Committee's opinion.

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 The Committee shall compile a report on its activities to be included in USE's respective Annual Report. The report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the Committee considered in relation to the Financial

THE UNION SUGAR ESTATES COMPANY LIMITED

AUDIT & RISK COMMITTEE

TERMS OF REFERENCE

Statements and how these issues were addressed, having regard to matters communicated to it by the Auditors. In compiling the report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the Financial Statements are significant, but should include at least those matters that have informed the corresponding Board's assessment of whether USE is a going concern.

10. Remuneration

- 10.1** Having regard for the functions performed by the members of the Committee in addition to their functions as Directors in relation to the activities of the Committee, members of the Committee may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to Directors.
- 10.2** The Chairman of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.

11. Other Matters

The Committee shall:

- 11.1** Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
- 11.2** Have access to sufficient resources in order to carry out its duties, including access to the group secretariat for assistance as required;
- 11.3** Be provided with appropriate and timely training, both in the form of an induction program for new members and on an ongoing basis for all members;
- 11.4** Give due consideration to laws and regulations, the Corporate Governance Code, the Stock Exchange of Mauritius Rules and any other applicable rules, as appropriate;
- 11.5** Be responsible for co-ordination of the Internal and External Auditors;
- 11.6** Oversee any investigation of activities which are within its Terms of Reference;
- 11.7** Work and liaise as necessary with all other Board committees; and
- 11.8** Arrange for periodic reviews of its own performance and, at least annually, review

THE UNION SUGAR ESTATES COMPANY LIMITED
AUDIT & RISK COMMITTEE
TERMS OF REFERENCE

its Constitution and Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

12. Authority

The Committee is authorised to:

- 12.1** Seek any information it requires from any employee of USE in line with the company' procedures, in order to perform its duties;
- 12.2** Obtain, at the expenses of USE, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.3** Call any employee to be questioned at a meeting of the Committee as and when required; and
- 12.4** Have the right to dissent with the views of the Board of USE and its views shall be recorded in the minutes of proceedings.

Approved by the Board of the Directors on

.....
Signatures