

Caribbean Assurance Brokers Limited
AUDIT, FINANCE, RISK & COMPLIANCE COMMITTEE (AFRC)
TERMS OF REFERENCE

A. INTRODUCTION

Caribbean Assurance Brokers Limited (CAB) is a company registered under the Companies Act of Jamaica, licensed by the Financial Services Commission (FSC) and listed on The Jamaica Stock Exchange (JSE) Junior Market.

Rule 504 (2) (b) of the JSE Junior Market requires that “The Board of Directors shall act with due diligence, skill and care to establish an Audit Committee and a Remuneration Committee, that in each case, has a majority of independent non-executive directors as its members.”

Appendix 1 to the Rules further states that the Audit Committee is “responsible for reviewing and recommending for approval the Audited Financial Statement of the Junior Market Company”.

In furtherance of the JSE mandate and in keeping with the requirements of the FSC and prudent corporate governance practice, the Board of CAB has established an Audit, Finance, Risk and Compliance Committee (AFRC)

The AFRC assist the Board of Directors in fulfilling its oversight responsibilities in the areas of audit, finance, risks management and compliance.

The AFRC acts to ensure that the CAB adheres to its Corporate Governance mandate in the specific areas of enterprise risk management, accounting policies, internal controls, compliance systems and procedures as well as financial reporting practices.

The Committee evaluates and monitors the adequacy of and compliance with internal controls pursuant to statutory requirements, Board Policy, applicable accounting standards and internal policy.

The AFRC provides a critical service to the Board by bringing to their attention pertinent information raised by internal and external audits.

The AFRC reports directly to the Board on its assessment of the CAB’s financial, operational and administrative accountability, and provides advice and guidelines to the CAB’s Board on matters relating to risk management and compliance.

B. DUTIES OF THE AFRC

AUDIT

1. Assess the CAB’s policies and programmes regarding the adequacy, efficiency and effectiveness of internal controls over existing and/or new enterprise risk management, accounting, financial reporting, internal control structure, operation and administration systems of the Company and thereafter advise the Board.

2. Review the internal audit policy and procedures and comment on the operation of its effectiveness.
3. Review and assess the adequacy of the risk management systems of the CAB.
4. Review the Internal Auditor's reports and recommendations concerning the adequacy of internal controls, accountability and transparency and satisfy the Board and itself that the CAB's management explains, addresses and resolves the issues raised.
5. Receive and review timely results of investigations, including management's response, from the Internal Auditor and External Auditor on any financial and other irregularity or serious breach.
6. Review all audit plans, particularly the annual audit plan, and schedules of the Internal and External Auditors, including the extent to which the planned audit scope can be relied upon to detect weaknesses in internal control, serious breaches, fraud or other illegal acts.
7. Review the independence of the auditors auditing the Company.
8. Review the External Auditor's management letter, and the administrative response to that letter, and satisfy itself that the recommendations are implemented where appropriate. Where the recommendations from the External Auditor are not implemented, the Committee should satisfy itself that this is acceptable.
9. Review the CAB's financial and operational policies, rules and regulations, procedures and any revisions to them to ensure that practices are in place to achieve compliance.
10. Meet with the Internal Auditors and when deemed necessary to determine any problems encountered by the Auditors, any restrictions on their work, and the cooperation received in the performance of their duties.
11. Review and advise the Board on the findings or report of any special audit or examination of CAB.
12. Review and advise the Board on the Annual External Auditor's Report. The AFRC is responsible for reviewing and recommending the Audited Financial Statement for approval by the Board.
13. Review and advise the Board on the Financial Statements that are to be included in the annual report of CAB.

FINANCE

14. Review the quarterly financial statements prepared for submission to the JSE Junior Market and recommend to the Board for approval.
15. Review the Management Discussions and Analysis (MDA) prepared by Management for submission to the JSE and recommend to the Board for approval.
16. Review the quarterly financial position of the Company and make recommendations to the Board on Asset Liabilities Management (ALM) issues including liquidity management.
17. Review the overall financial performance of the Company and the different lines of business and products and services and make recommendations to the Board.
18. Review investment plans and recommend them for approval
19. Review the Annual Budget and Financial Plans and recommend to the Board for approval

COMPLIANCE

20. The AFRC assist the Board of Directors of CAB in ensuring that the Company is compliant with all applicable laws and regulations relating to the legal operations of the Company, including but not limited to the Company's Act, the Rules of the JSE Junior Market, the Insurance Act and its Regulations, the Proceeds of Crime (POCA) and Terrorism Prevention Act (TPA).
21. The AFRC ensures that the Board appoint a Nominated Officer (Compliance Officer) with competence in the area of Anti Money Laundering / Counter Financing of Terrorism /Counter Financing of Proliferation of Weapons of Mass Destruction (AML/CFT/CFP) laws and regulations as administered by the Financial Investigation Division (FID) and who has the ability and capacity to undertake the responsibility for the ongoing monitoring of the AML/CFT/CFP duties of the Company.
22. The AFRC ensures that the Company has in place policies and procedures relating to the AML/CFT/CFP requirements of the FID and FSC including polices relating to training of staff and directors, Customer Due Diligence (CDD), Know Your Customers (KYC) requirements.
23. The AFRC ensures that at least once per year the Board receives a report from the Nominated Officer, which report shall include an overview and assessment of the effectiveness of the Company's AML/CFT/CFP framework; the effectiveness of the AML/CFT/CFP measures implemented under each of the various operational areas and

product and service types as is required law (applicable to the Life Insurance Division only); the Company's compliance with the relevant FSC and FID Guidelines as well as its own policies and procedures relating to AML/CFT/CFP.

24. The AFRC assists the Board in ensuring that the Nominated Officer undertake and performs the duties of the Nominated Officer as prescribed by the FSC and submit monthly or quarterly reports on those activities as is required.

RISK MANAGEMENT

25. The AFRC provides assistance to the Board of Directors in the implementation of the Company's Enterprise Risk Management framework set out in CAB's Enterprise Risk Management Policy.
26. The Committee shall submit recommendations on risks that may be accepted by the Company and these recommendations are to be submitted to the Board.

C. MEMBERSHIP

The Board of Directors shall determine the composition of the AFRC from time to time consistent with the Rules of the JSE Junior Market and acceptable corporate governance practices. The members are appointed by the Board of Directors.

The committee shall consist of a maximum of 9 and a minimum of 6 members, a clear majority being non-executive members.

The following members of the Management Team are required to attend the meetings of the Committee:

- i) The Manager, Accounts & Finance
- ii) The Internal Auditor
- iii) The Compliance Officer/Manager

D. Duration/Term

The term of office of members of the AFRC shall be a maximum of three (3) years. The tenure shall not exceed the life of the appointing Board. Members are appointed by the Board of Directors and are eligible for re-appointment by the Board.

Vacancies may arise from time to time, by termination by the Chairman of the Board of Directors and/or by resignation. Where a vacancy arises at any time in the membership of the Committee, the Board of Directors will appoint a new member within one (1) month of the vacancy, subject to exigencies and/or unforeseen circumstances.

E. MEETINGS

The AFRC shall meet as stipulated by the rules of the JSE but in any event at least twice per annum and at any other time, at the request of the Chairman of the Committee.

F. QUORUM

Four (4) members of the Committee (2 Board, 2 Non-Board) shall constitute a quorum.

G. OPERATION OF THE COMMITTEE

The Manager, Accounts & Finance and Internal Auditor shall be in attendance at all meetings of the AFRC. Non-executive Board members, who are not appointed members of the AFRC, have the right to attend.

The Company Secretary shall act as Secretary of the AFRC and is responsible for ensuring that proper and detailed records of all meetings are kept. The records shall be available to the external auditor and any examiner of a listed company during any external audit or examination.

The Committee shall ensure that at the relevant meetings of the Board the latest statement on the financial performance of CAB and the financial statements to be filed with the JSE are presented to the Board of Directors

A copy of the minutes of each meeting of the Committee shall be sent out in a timely fashion to each Committee member.

The Committee shall review and re-assess the Terms of Reference periodically and make recommendations for any proposed changes.

The Committee shall assume any other responsibilities that may be delegated from time to time by the Board of Directors.

The Manager Accounts & Finance, Internal Auditor and Compliance Officer report to the Board through the AFRC. In order to preserve the Independence of the AFRC Internal Audit function, management, through the CEO, must first submit suggestions, recommendations concerning change of personnel (whether through suspension, termination, transfer or resignation) to the AFRC.

All regular and special audit or examination reports submitted to the CEO should be simultaneously copied to the Chairman of the AFRC.

H. REPORTING

The Company Secretary shall ensure that Minutes of the AFRC and any special report prepared by the Committee are submitted in a timely manner to the Board.

I. **CONFLICT OF INTEREST**

Where there is a conflict of interest, the Committee Member so affected shall declare his interest through the Chairman and the details of the conflict are to be recorded by the Company Secretary. The Committee Member who has a conflict of interest shall not participate in the deliberations on the particular matter and will excuse himself from the discussions in respect of that interest during the period of discussion of the matter.

J. **AUTHORITY TO ENGAGE ADVISORS**

The Committee has the authority, after approval by the Board, to engage outside advisors including counsel as it deems appropriate and necessary. CAB shall make annual budgetary provisions to enable such engagement.

K. **POWER TO SUMMON EMPLOYEES**

The Committee has the power to require any member of staff of the CAB to attend meetings. The Committee may report any staff member who fails to attend such meeting[s] without reasonable excuse to the CEO for action.

L. **ACCESS**

The Internal and External Auditors shall have direct access to the AFRC at any time. Either Auditor (Internal & External) shall have the right to contact the Chairman of the AFRC to request a special meeting.

The AFRC is authorised to review internally and externally generated complaints and concerns regarding internal operations, controls, general policy and procedure which have been brought to the attention of management.

M. **REPORTING RELATIONSHIPS**

The AFRC shall report directly to the Board on the work and findings of the Internal and the External Auditors.

N. **RESPONSIBILITY OF MANAGEMENT TO THE COMMITTEE**

Subject to the Board's oversight, the Management of CAB is directly responsible for CAB's accounting, financial operational and administrative processes, including the organization and maintenance of appropriate internal controls designed to safeguard

assets, and establishing the reliability of accounting, financial, operational and administrative information and ensuring adherence to approved policies.

Mr. Raymond Walker
Executive Board Chairman

Mrs. Gail Minott
Company Secretary

TERMS OF REFERENCE HISTORY

First Approved: December 1, 2021
First Revision: July 23, 2022
Second Revision: October 26, 2022