

**Adopted by the Directors  
of GLOBALTRANS INVESTMENT LTD**

**Resolution of 24 January 2008**

# **GLOBALTRANS INVESTMENT LTD**

## **TERMS OF REFERENCE**

### **AUDIT COMMITTEE**

## TABLE OF CONTENTS

<b>1. GENERAL PROVISIONS .....</b>	<b>3</b>
ARTICLE 1 REGULATIONS ON THE AUDIT COMMITTEE .....	3
ARTICLE 2 OBJECTIVES OF THE AUDIT COMMITTEE .....	3
<b>2. COMPOSITION OF THE AUDIT COMMITTEE .....</b>	<b>3</b>
ARTICLE 3 GENERAL REQUIREMENTS TO THE STRUCTURE OF THE AUDIT COMMITTEE .....	3
<b>3. RESPONSIBILITIES OF THE AUDIT COMMITTEE .....</b>	<b>4</b>
ARTICLE 4 RIGHTS OF THE AUDIT COMMITTEE.....	4
ARTICLE 5 FINANCIAL STATEMENTS .....	4
ARTICLE 6 INTERNAL CONTROL FRAMEWORK.....	4
ARTICLE 7 INTERNAL AUDIT.....	5
ARTICLE 8 EXTERNAL AUDIT .....	5
ARTICLE 9 ELECTION AND TERMINATION OF THE MEMBERS OF THE AUDIT COMMITTEE .....	6
ARTICLE 10 DUTY OF THE OFFICERS OF THE COMPANY AND ITS SUBSIDIARIES TO COMPLY WITH THE REQUESTS OF THE MEMBERS OF THE AUDIT COMMITTEE.....	6
<b>4. CHAIRMAN OF THE AUDIT COMMITTEE.....</b>	<b>7</b>
ARTICLE 11 ELECTION AND TERMINATION OF THE CHAIRMAN OF THE AUDIT COMMITTEE.....	7
ARTICLE 12 DUTIES OF THE CHAIRMAN OF THE AUDIT COMMITTEE .....	7
<b>5. REMUNERATION OF THE MEMBERS OF THE AUDIT COMMITTEE.....</b>	<b>7</b>
ARTICLE 13 REMUNERATION TO THE MEMBERS OF THE AUDIT COMMITTEE .....	7
<b>6. MEETING OF THE AUDIT COMMITTEE .....</b>	<b>8</b>
ARTICLE 14 CONVOCATION OF THE MEETING OF THE AUDIT COMMITTEE .....	8
ARTICLE 15 PLACE AND TIME OF THE MEETING OF THE AUDIT COMMITTEE .....	8
ARTICLE 16 MINUTES OF THE MEETING OF THE AUDIT COMMITTEE .....	8
<b>7. EVALUATION OF THE OPERATIONS OF THE AUDIT COMMITTEE .....</b>	<b>9</b>
ARTICLE 17 EVALUATION OF THE OPERATIONS OF THE AUDIT COMMITTEE AND INDIVIDUAL MEMBERS.....	9
<b>8. DISCLOSURE OF INFORMATION ABOUT THE AUDIT COMMITTEE.....</b>	<b>9</b>
ARTICLE 18 DISCLOSURE OF INFORMATION ON THE AUDIT COMMITTEE’S ACTIVITIES IN THE ANNUAL REPORT .....	9

## **1. GENERAL PROVISIONS**

### **Article 1 Regulations on the Audit Committee**

- 1.1 These Terms of reference (hereinafter *Terms*) shall, in accordance with the legislation of Cyprus, UKLA's listing rules and the Articles of association of GTI Ltd (hereinafter the *Company*), describe the Audit Committee activities, rights and duties of the members of the Audit Committee, the nomination and remuneration of its members and other matters related to the operations of the Audit Committee.
- 1.2 The Company strives to comply with generally accepted principles of corporate governance which is reflected in these Terms.
- 1.3 These Terms may be amended, when required, which is subject to approval by the Board of Directors.

### **Article 2 Objectives of the Audit Committee**

- 2.1. The Audit Committee is a committee of the Board of Directors which assists the Board of Directors in discharging its corporate governance responsibilities in relation to:
  - the reliability and appropriateness of disclosures in the financial statements and external financial communication;
  - the maintenance of an effective system of internal controls including financial, operational and compliance controls and risk management system. The Audit Committee ensures, by means of suitable steps and appropriate information, that proper and satisfactory internal control and risk management systems are in place to identify and contain business risks and that the Company's business, and that of its subsidiaries, is conducted in a proper and economically sound manner;
  - preparation of recommendations to the shareholders for their approval in General Meeting in relation to the appointment, reappointment and removal of the external auditor;
  - approval of the remuneration and terms of engagement of the external auditor in respect of audit services provided;
  - the audit process, including monitoring and review of the external auditor's performance, independence and objectivity; and
  - development and implementation of the policy on non-audit services provided by the external auditor;
  - monitoring compliance with laws and regulations and standards of corporate governance.
- 2.2. The Audit Committee shall assist the Board of Directors in its oversight of the performance and leadership of the internal audit activity.
- 2.3. Where the Audit Committee's monitoring and review activities reveal cause for concern or scope for improvement, it shall make recommendations to the Board of Directors on action needed to address the issue or to make improvements.

## **2. COMPOSITION OF THE AUDIT COMMITTEE**

### **Article 3 General requirements to the structure of the Audit Committee**

- 3.1. The Board of Directors shall create, from among its members, the Audit Committee.
- 3.2. The number of members of the Audit Committee of the Company is established by appropriate resolution of the Board of Directors. The Audit Committee shall comprise at least two members.
- 3.3. All members of the Audit Committee shall be Non-Executive Directors. At least one member shall be an Independent Director and at least one member shall have recent and relevant financial experience.
- 3.4. The Chairman of the Audit Committee shall be elected and approved at the meeting of the Board of Directors.
- 3.5. The Chairman of the Board of Directors may not be the member of Audit Committee.

- 3.6. No one other than the Audit Committee Chairman and members will be entitled as of right to attend or vote at a meeting of the Audit Committee. The Head of Internal Audit Service and a representative of the external auditors shall regularly attend meetings of the Audit Committee. The Chairman of the Board of Directors and subsidiaries Audit Committees, and any relevant senior management of the Company and its subsidiaries may attend by invitation.
- 3.7. The Audit Committee meets with the external auditors and, separately, with the internal auditors, on an annual basis without any Executive Director being present.

### **3. RESPONSIBILITIES OF THE AUDIT COMMITTEE**

#### **Article 4 Rights of the Audit Committee**

- 4.1. The member of the Audit Committee shall have the right to:
- demand the officers and employees of the Company to furnish him/her with any information required (documents and materials);
  - receive a fee for, and/or reimbursement of the expenses incurred by him/her in connection with, the discharge by him/her of his/her duties of the member of the Audit Committee in situations and in the amount stipulated by the appropriate resolution of the General Meeting of Shareholders;
  - review the minutes of the meetings of the Audit Committee and other collective governing bodies of the Company, and receive copies of such minutes;
  - demand that his/her dissenting opinion on the matters on the agenda and resolutions approved be noted in the minutes of the meeting of the Audit Committee.
- 4.2. The delegation of the right to vote by any member of the Audit Committee to a third person, including another member of the Audit Committee/ the Board of Directors, shall not be allowed.

#### **Article 5 Financial statements**

- 5.1. The Audit Committee will monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's performance, reviewing significant financial reporting judgments contained in them before their submission to the Board of Directors for approval. The Audit Committee will take into account:
- decisions requiring a major element of judgment;
  - the extent to which the financial statements are affected by any unusual transactions;
  - the clarity of the disclosures;
  - significant adjustments resulting from the audit;
  - the going concern assumption;
  - compliance with accounting standards; and
  - compliance with the Listing Rules of UK Listing Authority and other legal or regulatory requirements.
- 5.2. Where following its review the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company it shall report its views to the Board of Directors.
- 5.3. The Audit Committee will also review the external auditors' representation letter before consideration by the Board of Directors, giving particular attention to matters that relate to non-standard issues.
- 5.4. The Audit Committee will keep under review the consistency of accounting policies on a year to year basis across the Company and will review any proposed major discretionary accounting policy change in advance of its implementation.

#### **Article 6 Internal control framework**

- 6.1. The Audit Committee will keep under review the effectiveness of the accounting, internal control and risk management systems of the Company and its subsidiaries. This will include:

- ensuring there is due process for the identification and management of key business risks having particular regard to any significant failings or weaknesses in internal control;
  - monitoring compliance with established policies, plans, instructions and procedures;
  - monitoring compliance with the Company's standards of corporate governance;
  - ensuring there is due process for compliance with relevant national laws and regulations;
  - reviewing the reliability of management information procedures in the organization including management reporting to the Board of Directors and the collective executive body;
  - considering major areas of change prior to commencement and obtaining assurance that proper plans for control have been developed;
  - ensuring that there is due process for monitoring of the efficiency and effectiveness of operational controls;
  - monitoring the Group's procedure for the safeguarding of its assets and ensuring the Company has adequate policies in place for the prevention and detection of fraud;
  - monitoring the procedures for assessing the levels of insurance cover required by the Company including Directors and Officers liability insurance;
  - considering and discussing with the external auditors of the Company the adequacy of the accounting and internal controls of the Company and its subsidiaries.
- 6.2. The Audit Committee will also review arrangements by which staff in the Company and its subsidiaries may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the objective of ensuring that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow up action.
- 6.3. The Audit Committee shall review the draft statement on internal control that will be included in the Company's annual report and accounts before consideration by the Board of Directors.

## **Article 7 Internal Audit**

- 7.1. The Audit Committee will monitor and review the effectiveness of the Company's internal audit service. This will include:
- approving the assignment or removal of the Head of Internal Audit Activity and ensuring that the Head of Internal Audit Service has direct access to the Chairman of the Audit Committee;
  - satisfying themselves as to the strategies, methodologies, plans, manning, resources and organization for internal auditing and its standing within the Company, and the extent of the co-ordination with the external auditors;
  - reviewing the reports received from the Head of Internal Audit Service without delay and considering managements responses; and
  - requiring the prompt reporting of any inappropriate restrictions in the scope of internal audit activities;
  - reviewing conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.
- 7.2. The Audit Committee may also require investigations by, or under the authority of, the Head of Internal Audit Service (or such other member of management as they may consider appropriate) into any activities of the Company and its subsidiaries which may be of interest or concern to the Audit Committee.

## **Article 8 External Audit**

- 8.1. The Audit Committee will:
- annually evaluate the performance of the auditors and recommend their reappointment or, if appropriate, make a recommendation for change, through the Board of Directors, for the shareholders to consider at the Annual General Meeting;

- approve the terms of engagement and the level of audit fees payable by the Company to the external auditors and recommend them to the Board of Directors;
- review the level of fees charged by external auditors in respect of audit work for the Company's subsidiaries;
- consider and discuss with the external auditors of the Company the scope of their audit prior to its commencement and, subsequently, the results, and review the effectiveness of the process, taking into account relevant professional and regulatory requirements;
- approve the list of non-audit services, the terms of engagements and the level of audit fees payable by the Company to the external auditors for non-audit services and recommend them to the Board of Directors;
- review the external auditor's management letter and any major recommendations of the external auditor and consider management's response;
- ensure that it reviews the independence and objectivity of the external auditors and in particular that the ratio of audit fees to consultancy fees charged by the external auditors does not put such independence or objectivity at risk taking into account any regulations or other relevant ethical guidance regarding the provision of non-audit services by the external audit firm. In addition, the Audit Committee should ensure that external auditors do not audit their own work;
- review any explanation contained in the annual report of the Company detailing how, if the auditor provides non-audit services, auditor objectivity and independence are safeguarded.

**Article 9 Election and termination of the members of the Audit Committee**

- 9.1 New appointments to the Audit Committee should be made by the Board of Directors based on recommendations of the Nomination Committee.
- 9.2 Appointments for independent members will be for a period of up to three years, but not to exceed their terms as members of the Board of Directors.
- 9.3 The Audit Committee shall annually review its own effectiveness and if necessary the Audit Committee Chairman should refer the question of termination of Audit Committee members' duties to the Nomination Committee for further consideration.

**Article 10 Duty of the officers of the Company and its subsidiaries to comply with the requests of the members of the Audit Committee**

- 10.1 CEOs of the Company's subsidiaries, heads of units of the Company and its subsidiaries, shall, if and when so requested by the member of the Audit Committee, furnish him/her with any information, whether related or unrelated to the operations of the Company and/or its subsidiaries, to the extent permitted by the applicable legislation, with the exception of, *e.g.*, information about their private lives and information violating the right to privacy, family secrets, and secrets contained in their correspondence, telephone conversations, letters, telegraphs and other messages.
- 10.2 If it is impossible to furnish the member of the Audit Committee with the information requested by him/her, the above-mentioned officers shall forthwith prepare a motivated refusal and furnish it to the member of the Audit Committee in writing within three days following the date of the request.
- 10.3 Refusal to disclose information shall be communicated by the member of the Audit Committee to the Board of Directors.
- 10.4 The Company Secretary shall, if and when so requested by the member of the Audit Committee, grant to the latter access to information and an opportunity to make copies of documents and materials.
- 10.5 The agreements executed by and between the Company on the one hand, and heads of units of the Company on the other hand, shall contain provisions stipulating liability for the failure to disclose information to the member of the Audit Committee.

#### **4. CHAIRMAN OF THE AUDIT COMMITTEE**

##### **Article 11 Election and termination of the Chairman of the Audit Committee**

- 11.1 The Chairman of the Audit Committee shall be elected from the members of the Board of Directors by a majority vote of the entire Board of Directors.
- 11.2 In the absence of the Chairman, the Audit Committee members present will elect one of them to chair the meeting.
- 11.3 The Board of Directors may at any time reelect the Chairman of the Audit Committee.
- 11.4 The Board may, based on personal evaluation results and recommendations of the Nomination Committee, either make a recommendation to shareholders on the Audit Committee Chairman termination, or leave him in the Board, but terminate his duties as Audit Committee Chairman.

##### **Article 12 Duties of the Chairman of the Audit Committee**

- 12.1 The Chairman of the Audit Committee shall:
- organize the work of the Audit Committee, convene and chair its meetings, and ensure that minutes are maintained at all meetings of the Audit Committee;
  - be responsible for the preparation of the agendas of the meetings of the Audit Committee;
  - organize the proceedings at the meetings of the Audit Committee so that discussion of the matters on the agenda thereof be open, comprehensive, concise, representative of diverse points of view, and conducive to the approval of specific agreed resolutions;
  - organize development of efficient resolutions on the matters on the agenda and, if necessary, free discussion of the relevant issues, and ensure that the meetings of the Audit Committee are conducted in a supportive and constructive atmosphere;
  - ensure that all members of the Audit Committee receive accurate, timely and clear information;
  - initiate development of draft resolutions on the matters under consideration;
  - ensure that the members of the Audit Committee continually update their skills and the knowledge and familiarity with the Company required to fulfill their role on the Audit Committee.
- 12.2 The Chairman of the Audit Committee shall attend the Annual General Meeting and be available to answer questions from shareholders.
- 12.3 In the absence of the Chairman of the Audit Committee the person performing the functions of the Chairman of the Audit Committee in his/her absence may exercise any powers vested in the Chairman of the Audit Committee.

#### **5. REMUNERATION OF THE MEMBERS OF THE AUDIT COMMITTEE**

##### **Article 13 Remuneration to the members of the Audit Committee**

- 13.1 The Board of Directors shall make appropriate recommendations to the General meeting of shareholders regarding the remuneration of the members of the Audit Committee.
- 13.2 The General Meeting of Shareholders may resolve that those members of the Board of Directors which are also the members of the Audit Committee be paid additional remuneration for the work performed by them during their terms in office and/or reimbursed for the expenses associated with discharge of their duties. The amount of such remuneration and reimbursement shall be established by resolution of the General Meeting of Shareholders.
- 13.3 The payment of such remuneration and reimbursement to the members of the Audit Committee shall constitute a separate matter on the agenda of the General Meeting of Shareholders.

## **6. MEETING OF THE AUDIT COMMITTEE**

### **Article 14 Convocation of the meeting of the Audit Committee**

- 14.1 The Audit Committee shall meet at least four times a year including immediately prior to the publication of the Company's full year and interim results at the dates determined in the schedule approved by the Board of Directors. The Audit Committee will meet at other times on the request of the Chairman, external or internal auditors or any member of the Audit Committee.
- 14.2 For each meeting of the Audit Committee following items shall be determined:
- date, time and place of the meeting;
  - agenda of the meeting;
  - list of the matters to be put to the vote;
  - list of information (materials) to be furnished to the members of the Audit Committee prior to the meeting.
- 14.3 The agenda for the meetings will be determined by the Chairman of the Audit Committee, taking into account the views of other members of the Committee as appropriate. The agenda and supporting papers, unless otherwise agreed, will be circulated to each member of the Committee no fewer than four working days prior to the date of the meeting.
- 14.4 The quorum is at least two members of the Audit Committee.
- 14.5 The Chairman of the Audit Committee shall have a casting vote when the Audit Committee consists of more than two Directors.
- 14.6 When there are two members of the Audit Committee including the Chairman he/ she shall not have a casting vote. When the two Directors do not reach a single opinion the decision should be taken by the Board of Directors.
- 14.7 The Company Secretary or his or her nominee shall act as the Secretary of the Audit Committee.
- 14.8 The Company Secretary will also keep a record of the membership of and the dates of any changes to the membership of the Audit Committee.
- 14.9 All materials used for the meetings of the Audit Committee will be in English.

### **Article 15 Place and time of the meeting of the Audit Committee**

- 15.1 The Directors shall use their reasonable efforts to ensure that, to the extent practicable, meetings of the Audit Committee shall be convened in Cyprus.
- 15.2 Provided it is agreed by each member of the Audit Committee, meetings may be held through telephone conferences, though the members of the Audit Committee shall endeavor to keep such meetings to a minimum.
- 15.3 All members of the Audit Committee shall be notified of the convocation of the meeting of the Audit Committee in advance in order to enable them to properly organize their schedule.
- 15.4 If circumstances, which make it impossible or difficult to conduct the meeting of the Audit Committee in a place and/or at a time of which the members of the Audit Committee were notified, arise the meeting with the same agenda may be conducted in a different place and/or at a different time.
- 15.5 All members of the Audit Committee shall be notified of the change of place and/or time of the meeting of the Audit Committee by the Secretary on behalf of Chairman of the Audit Committee within the time reasonably sufficient to ensure their attendance. The notice of the aforementioned changes shall be delivered to the members of the Audit Committee in any form which guarantees receipt thereof at their physical or electronic addresses.

### **Article 16 Minutes of the meeting of the Audit Committee**

- 16.1 The minutes of the meeting of the Audit Committee shall be prepared no later than seven days after the meeting and be signed by each member of Audit Committee as soon as reasonably possible. Circular resolutions shall be effective only if they are signed by each member of the Audit Committee. The minutes and circular resolutions (originals and/or copies) should be stored by the Secretary.
- 16.2 The minutes of the meeting of the Audit Committee shall contain the following information:

- full name of the Company;
  - date, place and time of the meeting;
  - persons attending the meeting;
  - persons who have furnished their written opinions on the matters on the agenda;
  - agenda of the meeting;
  - matters put to the vote, and the outcome of voting thereon;
  - resolutions approved.
- 16.3 The minutes of the Audit Committee shall be signed by the person chairing the meeting of the Audit Committee.
- 16.4 The Company shall ensure that the shareholders, the members of the Board of Directors, the members of the Audit Committee, and the Auditor of the Company have access to the minutes of the meetings of the Audit Committee.

## **7. EVALUATION OF THE OPERATIONS OF THE AUDIT COMMITTEE**

### **Article 17 Evaluation of the operations of the Audit Committee and individual members**

- 17.1 The operations of the Audit Committee and individual Directors shall be subject to annual evaluation.
- 17.2 The evaluation of the Audit Committee and individual Directors' performance shall be made through self-assessment and cross-assessment or by external third party.
- 17.3 The results of annual performance evaluation shall be communicated to the Chairman of the Board of Directors.

## **8. DISCLOSURE OF INFORMATION ABOUT THE AUDIT COMMITTEE**

### **Article 18 Disclosure of information on the Audit Committee's activities in the annual report**

- 18.1 A separate section of the annual report should describe the work of the Audit Committee in discharging its responsibilities. This section shall include:
- the description of role and composition of the Audit Committee;
  - information about the number of meetings of the Audit Committee and the attendance;
  - the description of the specific policies in relation to the remunerations of the members of the Audit Committee (or cross refer to the Directors' Remuneration Report);
  - the description of the activities carried out in order to monitor the integrity of the financial statements;
  - the description of the activities carried out in order to review the integrity of the Company's internal control and risk management systems;
  - the description of the procedures adopted to review the independence of the external auditors, including disclosure of the policy on the provision of non audit services and an explanation of how the policy protects auditor independence;
  - the description of the oversight of the external audit process and confirm that an assessment of the effectiveness of the external audit was made;
  - the explanation of the recommendation to the Board of Directors on the appointment of the auditors and, if applicable, the process adopted to select the new auditor;
  - the confirmation that a review of the plans and work of the internal audit service was carried out.
- 18.2 The Audit Committee has primary responsibility for making a recommendation on the appointment, reappointment and removal of the external auditors. If the Board of Directors does not accept the Audit Committee's recommendation, it should include in the annual report, and in any papers recommending appointment or re-appointment, a statement from the Audit Committee explaining the recommendation and should set out reasons why the Board of Directors has taken a different position.