



## **AUDIT COMMITTEE REGULATIONS**

Date : 20 September 2005

### **1. MISSION AND OBJECTIVES**

The audit committee (AC) is a standing committee of the Supervisory Board (SB). It assists the SB in the fulfilment of its responsibilities in the area of the supervision of:

- The functioning of the internal risk management and control systems, including supervision of compliance with the relevant legislation and regulations and supervision of the effectiveness of codes of conduct.
- The disclosure by the company of financial information (accounting principles, implementation and assessment of the effects of new rules, insight into the treatment of accounting estimates in the annual accounts, forecasts, internal reports, work performed by the accountants, etc.).
- The compliance with recommendations made by, and observance of comments from, the accountants.
- The role and the functioning of the internal audit department.
- The company's policy on tax planning.
- The relationship with the external accountant, including in particular his independence, remuneration and any non-auditing work carried out for the company.
- The company's finance.
- The application of information and communication technology..

The foregoing does not prejudice the fact that the supervisory responsibility rests primarily with the Supervisory Board.

The AC shall maintain an effective working relationship with the management, the internal audit department and the external accountant. Each member of the AC shall gain insight, at detail level, into the responsibilities attached to the membership of the AC, as well as into the company, its activities and the risks to which the company is exposed.

### **2. POWERS**

The SB authorizes the AC to within the scope of its responsibilities:

- Obtain any form of information it may require from:
  - any employee (and all employees are instructed to comply with any request by the AC);
  - external parties.
- Obtain external professional advice.
- Ensure that, if there is a need, officers of the company (e.g. members of the SB, the Director of Finance & Control, the Compliance Officer and others) are present at meetings.

### **3. ORGANIZATION**

- 3.1. The AC shall be composed of at least two members.
- 3.2. Each member shall be capable of providing a valuable contribution to the AC.
- 3.3. The chairman of the AC shall be nominated by the SB by rotation; this person must preferably have financial expertise.
- 3.4. The offices of chairman of the SB and chairman of the AC are incompatible.
- 3.5. AC members shall be appointed by the SB for the term of four years.
- 3.6. Each AC meeting must be attended by all the members.
- 3.7. The secretary of the company shall be the secretary of the AC.

- 3.8. The (chairman of the) SB may attend AC meetings.
- 3.9. The AC shall assure that the company makes mention of the composition of the AC in its annual report.
- 3.10. At least one member of the AC must be a financial expert, meaning that he must have relevant expertise in financial accounting gained with large-scale businesses.
- 3.11. The external accountant and the internal audit department shall be invited to give presentations to the AC when appropriate. The external accountant shall in any case be present at the meeting at which his report on the audit of the annual accounts is discussed.
- 3.12. The AC shall as often as it deems necessary but at any rate once every year consult with the external accountant, without the presence of the SB.
- 3.13. Meetings shall be held at least three times per year.
- 3.14. The external accountant may request the AC to convene a meeting if he deems this necessary. .
- 3.15. Minutes shall be kept of all the meetings.
- 3.16. The AC shall assure that the company makes mention in its annual report of the number of meetings of the AC and of the most important subject matters discussed thereat.
- 3.17. The SB shall receive from the AC the minutes of the meetings as well as the findings.

#### **4. ROLES AND RESPONSIBILITIES**

The audit committee shall:

##### **Internal control and risk management**

- 4.1 Assess whether the management disseminates the correct “control culture” by communicating the importance of internal control and risk management and whether the management sees to it that all the employees understand their roles and responsibilities.
- 4.2 Assess the reliability of the automated systems and assess in what way the management renders account regarding the security of computer systems and software, and regarding the contingency planning in respect of the processing of financial data in case of serious computer failures.
- 4.3 Gain insight into the degree to which recommendations from the external accountant relating to internal controls by the management have been implemented.
- 4.4 Assess the effectiveness of the system for compliance with legislation and regulations, as well as the results of investigations carried out by the management into fraudulent acts or non-compliance and the follow-up steps that are taken.
- 4.5 Verify that in the preparation of the annual accounts due account has been taken of all the regulations.
- 4.6 Assess whether implicit attention has been paid to the risk of fraud.
- 4.7 Together with the external accountant assess the possibilities of fraud, unlawful acts, deficiencies in internal controls and suchlike.

##### **Accounting and reporting**

###### *General*

- 4.8 Gain insight into the areas in which the greatest financial risks are run and into the manner in which the management effectively controls these risks.
- 4.9 Follow recent developments in the field of accounting and understand their effects on the annual accounts.
- 4.10 Enquire of the management and the external accountant and the internal audit department about significant risks, as well as the plans for reducing these risks to a minimum.
- 4.11 Assess any possible legal issues capable of having a significant effect on the annual accounts.

#### *Annual Accounts*

- 4.12 Assess the annual accounts and verify that the annual accounts are complete and in conformity with the information known to the members of the Supervisory Board, and assess whether the annual accounts are based on the correct financial accounting principles.
- 4.13 Pay particular attention to complex and/or unusual transactions, such as restructuring and takeovers.
- 4.14 Focus on areas where the formation of an opinion plays an important role, for instance with respect to the valuation of assets and liabilities, guarantees, liability, provisions in connection with legal proceedings and other liabilities whether or not disclosed in the balance sheet.
- 4.15 Discuss the annual accounts and the outcome of the annual control audit with the management and the external accountant.
- 4.16 Assess, prior to publication, the other components of the annual report and verify whether the information is comprehensible and in conformity with the knowledge which the members have regarding the company and its activities.

#### *Interim figures*

- 4.17 Assess the reliability of the provisional and interim figures and obtain an explanation from the management regarding the extent to which:
  - The interim results deviate significantly from the budgeted results.
  - The changes in financial ratios and relationships in the interim figures are consistent with the changes in the activities of the company and the company's financing.
  - The generally accepted principles for financial accounting have been applied consistently.
  - There are actual or proposed changes in the manner of processing or accounting of items.
  - Significant or unusual events or transactions have occurred.
  - The company's financial and operational controls function effectively.

#### *Investigations within the framework of liabilities, investments and takeovers*

- 4.18 Assess the risks and points requiring attention that are connected with liabilities, investments and takeovers.

#### **Audit by external accountant**

- 4.19 Assess the scope and approach of the audit proposed by the external accountant and ensure that no unjustified restrictions or limitations are imposed with respect to the scope of the audit.
- 4.20 Evaluate the performance of the external accountant and in this context:
  - The AC shall report annually to the SB about the developments in the relationship with the external accountant, and in particular his independence (including the desirability of rotation of the responsible partners within the firm entrusted with the audit and the performing of non-auditing activities).
- 4.21 Carry out an analysis at least once every four years of the external accountant's performance. Verify the independence of the external accountant, which also implies that the extent of the services rendered will be compared with all the consultancy services that are purchased by the company. Make recommendations to the SB with respect to the reappointment of the external accountant.
- 4.22 Discuss with the external accountant separately any issues about which the AC or the accountant is of the opinion that they must be discussed in privacy.
- 4.23 Assure that the significant findings and recommendations made by the external accountant are timely received and discussed.
- 4.24 Assure that the management responds to recommendations from the external accountant.
- 4.25 Be the first contact for the external accountant whenever the latter finds irregularities in the contents of the financial reports.

**Internal audit department (in formation)**

- 4.26 Acquaint itself of the organization of the department and each year of the audit plan and ensure that no unjustified restrictions or limitations are imposed.
- 4.27 Discuss the audit plan with the internal control department and the external accountant.
- 4.28 Form an opinion regarding the qualifications of the staff of the internal audit department.
- 4.29 Assess the effectiveness and the findings of the internal audit department.
- 4.30 Ensure that the management responds to the findings of the internal audit department.

**Reporting**

- 4.31 Keep the SB regularly informed of the activities of the AC and make relevant recommendations.
- 4.32 Ensure that the SB is aware of matters that may have a significant effect on the company's financial position or activities.

**Other responsibilities**

- 4.33 On an occasional basis carry out a special investigation at the request of the full SB.
- 4.34 If necessary, initiate special investigations and, in support, if relevant, hire special advisers.
- 4.35 If necessary, review and update the regulations and submit proposed changes to the SB.
- 4.36 Carry out an annual evaluation of the AC's own functioning.