



COMMERCIAL AGRICULTURE ALLIANCE

**(A Not Profit Distribution Company set up under the
Nepal Company Act, 2006)**

CODE OF CONDUCT¹

for

**CAA Board of Directors (Board Members), Members of the Appraisal
Panel, Members of the Audit Committee, General Manager and Staff**

September 2007

¹Approved and adopted by the CAA Board of Directors on 30 September 2007 but to be approved by the General Assembly of CAA.

CODE OF CONDUCT

for

CAA Board of Directors, Management Staff and Members

Preamble

Commercial Agriculture Alliance (the Company), incorporated as a company not distributing profit under the Company Act, 2006 on 28 September 2006 is committed to conducting its business in accordance with the applicable Laws, Rules and Regulations and with the highest standards of ethics and recognized principles of corporate governance. In line with its commitment, the Board of Directors' has adopted this Code of Conduct on 30 September 2007 and the Members of the Company in the first General Meeting on..... respectively.

The purpose of the Company is to :

- (a) To promote commercial agriculture in Nepal by developing an alliance between the commercial agricultural stakeholders.
- (b) To manage commercial agriculture fund and provide support to its Members from the fund.
- (c) To educate its Members and other agricultural stakeholders about the importance of market linkage on production, its sustainability and multiplying capacity.
- (d) To conduct awareness program on intellectual property protection among the Members and support its Members for the protection of intellectual property right.
- (e) To enter into contract for value with any third party competent to enter into contract.
- (f) To establish Branch Office required for the fulfillment of the objectives of the Company.
- (g) To engage in any other activities, which are ancillary to fulfill the above- mentioned principal objectives.

The purpose of this Code of Conduct is to systematize the activities of the Board, of the management staff and the Members of the Company. This Code of Conduct is developed to take account of the wide range of expectations and obligations that Board Members are required to satisfy on corporate governance, best practice in publicly-funded institutions, and on standards in public life. This Code of Conduct is also intended to provide a public statement about the values of the Company's board members and the standards that they set for themselves. The Board shall regularly review this Code of Conduct in order to maintain such obligations and requirements.

This Code of Conduct does not describe all potential problem areas that could develop, but some of the more common problems are addressed.

Except where provisions of the Code specifically relate to members of the CAA Board, the Code will be applicable to both CAA Board and CAA staff. All appendices to the Code form an integral part of the Code.

Chapter-I

Preliminary

1. Title and Commencement

1.1 This Code of Conduct may be called "Code of Conduct of Commercial Agriculture Alliance, 2007".

1.2 This Code of Conduct shall be effective from the date of its adoption by the Board of Directors' Meeting.

2. Applicability of the Code of Conduct

This Code of Conduct shall apply to the members of the Board of Directors (Board Members), members of the Appraisal Panel, members of the Audit Committee, General Manager, and Management Staff viz. all the persons of the rank of Manager and above, Company Secretary, and Members of the Company. It is the responsibility of everyone to whom this Code of Conduct applies to make sure that he/she is familiar with and that his/her actions comply with the provisions of this Code of Conduct.

3. Adoption of Code of Conduct: The Members of the Company in the first General Meeting shall adopt this Code of Conduct. The Code is a public document, and any comments on it may be addressed to the General Manager; Commercial Agriculture Alliance, Ward -5, Biratnagar Municipality, Morang District, Nepal.

Chapter II

Guidelines for Conduct

4. Role of Chairperson

4.1. The Chairperson of the Board of Directors, will at all times, act honestly, fairly, ethically and responsibly.

4.2 The Chairperson shall ensure that all Board Members, members of Appraisal Panel, General Manager and Management Staff, both existing and, where applicable replacements, are aware of the terms of their appointment, their duties and responsibilities and the Code of Conduct of the Company. The Chairperson shall ensure that a copy of this Code of Conduct, other relevant materials such as minutes of previous Board meetings, annual reports and accounts, the latest Company's Business Plan, prevailing organisation structure and operating procedures, service and client eligibility criteria, and any other documentation that Board members may reasonably request will be readily available.

4.3. The Chairperson shall have particular responsibility, with the General Manager, for providing effective strategic leadership on matters such as:

- formulating and presenting the Company's business strategy to the Board;
- representing the views of the Board to the general public; and,
- encouraging high standards of propriety, and promoting efficient and effective use of staff and other resources

4.4 The Chairperson shall ensure that the Board and Appraisal Panel at Head Office, and the District Review Committee at each District Branch, meet at regular intervals throughout the year, and that minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual members. The size of the Board's quorum and procedures for calling further General Meetings are defined in the Company Articles of Association.

4.5 The Chairperson, with the agreement of the Board, shall put in place arrangements to review from time to time the activities and effectiveness of the entire Board, and the contributions made by the Chairperson and the individual Board members. A Broad interpretation of "contribution" is applied; meaning contributions to meetings of the Board, committee meetings, representing the Company in public events, and developing the Company's policies and business strategy. The Board Members are expected to make every effort to attend Board Meetings.

5. Corporate Responsibilities of Board Members

5.1 The Board Members shall have corporate responsibility for:

- establishing and reviewing regularly the vision, values and overall strategic direction, as well as policies of the Company for their fulfilment;
- observing the highest standards of impartiality, integrity, objectivity in relation to stewardship of public funds and management and operation of Company activities
- representing the interests of the Company in all dealings with the Company's staff, public and private sector organisations and individuals;
- ensuring that the Company follows the principles and practices of openness in the conduct of its business, which includes giving prompt responses to public requests for information, except where, at the discretion of the board on advice from the general manager, such information may be detrimental to the commercial interests of the Company and its clients;
- ensuring that the highest standards of corporate governance are observed at all times;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets laid down in Standard Operating Procedure (SOP) of the Company and in Annual Business Plan;
- ensuring that the Company operates within the legal or regulatory conditions relating to the use of public funds; and,
- ensuring that the Company meets its contractual obligations.

5.2. The Board Members' responsibilities in respect of the Company's finances shall include:

- approving annual operating plans and budgets which shall have to reflect the Company's mission, purpose and Business Plan;

- ensuring the safeguard of assets of the Company ;
- ensuring that funds provided under contract by funding bodies are used for the purposes stated in those contracts;
- maintaining the confidentiality of business information of the Company Members which it gathers in the process of appraising, evaluating and deciding the funding request made for infrastructure and non infrastructure support.

For the purpose of this subsection the term "Confidential information" means and includes the information about customers, prospective customers, members or suppliers, or their accounts, including but not limited to financial condition, business transactions, credit information and other business data. The information gathered shall be used only for the achievement of purpose of the Company.

- prohibiting from selling, disclosing, or otherwise using the Company's physical resources or proprietary information for personal benefit or for the benefit of any other party.
- receiving and approving the Company's annual report and accounts;
- ensuring the existence and integrity of financial control systems; and,
- appointing external auditors and performance monitors to undertake annual audits of financials and performance audit activities and accounts and to present their report to the Board, and to the Project Steering Committee accordingly.

5.3 In relation to the Company's status as a Company not distributing profit and within the provisions of the Memorandum and Articles of Association, Board Members shall be responsible for:

- applying the property and fund available to the Company only for the defined purposes;
- acting only within their legal powers;
- taking particular care that activities are organised in such a way that they do not compromise its status as a company not distributing profit ;
- managing and protecting the property of the Company .

5.4 The Company shall bear corporate responsibility for all actions taken by board members in good faith and with honesty in the name of the Company and use of Commercial Agriculture Fund, including any wrongful ones in the course of performance of their duties. This means that, if judgement were made against the Board, any financial settlement shall be met from the Company's funds rather than from the personal assets of individual Board Members subject to the provisions of the applicable Laws, Memorandum of Association and Articles of Association of the Company.

6. Individual Responsibilities of Board Members

- 6.1 The Board Member shall declare his/her direct and indirect financial interest or of his/her close relatives or of his/ her organization having substantial financial interest with the Company after accepting the appointment.
- 6.2 The Board Members shall promote good governance in the management and operation of the Company.
- 6.3 The Board Members shall work closely with the management but shall have different role than managers. The Board Members shall not intervene in the day-to-day activities of the Company.

7. Ethical Principles and Corporate Value

- 7.1 The Board Member shall act with honesty and integrity, avoiding actual or apparent conflicts of interest in personal and professional relationships with the Company.
- 7.2 The Board Member shall comply with rules and regulations of the Government of Nepal and other local regulatory agencies.
- 7.3 The Board Member shall act in good faith, responsibility, and with due care, competence and diligence, without misrepresenting material facts or allowing one's independent judgment to be impaired.
- 7.4 The Board Member shall provide information that is accurate, complete, objective, relevant, timely and understandable to ensure full, fair, accurate, timely, and understandable disclosure in reports and documents.
- 7.5 The Board Member shall endeavor to deal fairly with all the stakeholders and customers, suppliers, and employees. No one shall take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material fact, or any unfair-dealing practice.

8. Business and Accounting Practices

- 8.1 The Board Members shall not use the funds or assets of the Company for unlawful purposes. They shall oversee the accounting practice of the Company so that it shall be appropriately recorded. All the payments shall be made only with approved and adequate supporting documentation.
- 8.2 The Board Members shall not use the fund of the Company to make any lawful and unlawful political contribution except in the ordinary course of the Company business and on customary commercial terms.
- 8.3 Individual Board Members and the Company's management staff shall be made aware of their wider responsibilities as the Company's Board and staff members. They shall agree upon appointment to comply at all times with this Code of Conduct, and with prevailing Laws and Regulations. In addition, they shall observe the principles relating to the management and operation of publicly funded institutions.

8.4 Under normal circumstances Board Members and management staff shall not accept any gift, benefit or award in connection with their functions in the Company from any third party.

9. Interest of Board Members

- 9.1 If an application is being considered for a company Member in which a particular Board Member or appraisal Panel Member or management staff of the Company has an interest, then that interested party shall be obliged to exclude himself/herself from the discussions covering that particular application.
- 9.2 If there is any doubt whether any conflict of interest subsists or not, the Interested Party shall have to exclude himself / herself from any consideration of the application under review. In any business decision and preparation thereof, conflicts of interest shall have to be avoided through self-declaration of the person concerned.
- 9.3 There shall be requirement for the Company's General Manager, Appraisal Panel members, and Compliance Officer to disclose their wealth prior to and upon completion of their assignments. The disclosure shall have to be made in a manner, which will allow the public to have access to information regarding the wealth of these persons.

10. Delegation

- 10.1. Board members shall deal with the policy matters related to the management and operation of the Company. Responsibility for day-to-day management is delegated to the general manager, district branch managers, and the staff within a clearly understood framework of strategic direction and management control. The general manager, district branch managers, and staff shall undertake their responsibilities in accordance with their respective terms of contract.
- 10.2. Subject to the provisions of the prevailing Company Act, the Board may decide to delegate responsibility for specific matters to individual members or committees of the board. The following principles shall apply to powers delegated by the board:
- all such individuals or committees shall have to be provided with written terms of reference which state clearly the extent and limits of their responsibilities and authority;
 - if relevant, terms of reference shall have to distinguish between issues on which the individual or committee is empowered to take decisions, and issues on which they advise the Board, but take no final decisions; and,
 - where individuals or committees are acting under delegated authority to take specific decisions, they shall provide regular written reports to the Board on the decisions taken.
 - the delegation of authority and process of reporting, documenting shall be clear and in consistent with the Standard Operating Procedure.

11. Monitoring and Assessing the Progress of Operations

- 11.1 Once management, objectives, strategies, policies and procedures are in place, the Board shall establish an ongoing review of the performance. The Board shall compare current operating results with business objectives, the results of previous periods, recognized standards, peer

group and industry performance, and the results of periodic reports by independent auditors and regulators.

11.2 The Board members shall have to read and understand management reports, ask questions to further understanding, and in some cases obtain third party validation that the reports are prepared under acceptable policies and procedures.

11.3 The Board shall have to set in place a system of internal controls. It shall have to monitor compliance through several means, including Board committees, internal audit reports, specific internal control functions, independent audit reports, performance reports, and regulatory reports and correspondence.

11.4 The Board shall promptly consider and act upon information from these sources, including promptly taking appropriate corrective actions to correct deficiencies. In addition, the Board may seek appropriate advice from independent consultants or outside counsel.

12. Maintaining the Independence from Management

12.1 The Directors shall work closely with the management but have different role than Managers. The Directors shall be required to exercise reasonable degree of independence in comprehending, evaluating and approving the management action and judgments.

12.2 Special challenges to the Directors shall be to promote public infrastructures that support and promote commercialized agriculture and invest on non-infrastructure which make the concerned stakeholders empowered to build capacity, accept challenges, learn changes and develop foundation for commercialization of agriculture in the targeted area.

12.3 Board of Directors shall oversee the activities funded by the Commercial Agriculture Fund and record the development as a part of monitoring report. The Board Members shall be personally liable if they have not acted as a reasonably prudent director.

12.4 The Directors shall oversee the business performance of Commercial Agriculture Fund of the Company. It shall evaluate the problems, safety and sustainability, risk management and control of the program.

12.5 The Directors shall thoroughly discuss, independently evaluate and fully understand the significant issues and events related to the utilization of the Commercial Agriculture Fund.

12.6 The Directors shall have to disclose to fellow directors all the material information relevant to board decision and refrain from participating in board decision on any issues with potential conflict of interest. At all times decisions shall have to comply with applicable rules and regulation.

12.7 The Directors shall create an effective audit program to monitor the operation of internal controls against self-dealing and conflict of interests, and to encourage collaboration among Members of the Company.

13. Accountability for Public Fund

Board members and the Company staff shall have a duty to ensure that public funds are properly safeguarded and used only for the fulfilment of the Company's mission and purpose. They shall

have to ensure that at all times the Company's conducts its operations as economically, efficiently and effectively as possible.

14. Purchasing and Procurement

All purchasing and procurement shall have to normally be done on the basis of full and open competition to secure the best service the market can provide at the most competitive price developing a purchasing and procurement procedure in compliance with Asian Development Bank's *Procurement Guidelines* (2006). The operation of the procedures shall have to be monitored by the Audit Committee.

15. Annual Reports and Accounts

15.1 As part of its responsibilities for the stewardship of public funds, the Board Member shall have to ensure that a full statement of the use of such resources is included in the Annual Report and accounts.

15.2 The Company's Annual Report and accounts shall have to be well publicised and be made widely available outside the Company. The Annual Report shall have to contain either the full annual accounts, or a summary of the annual accounts and details of how to obtain the full accounts. A statement by the auditors shall have to be included in any summary to confirm that it is consistent with the annual accounts. It shall have to also state whether the report on the annual accounts is qualified and provide details.

15.3 The annual report shall in addition:

- provide a full description of the Company's role, activities and plans;
- state the extent to which key strategic objectives and agreed financial and other performance targets have been met;
- list the names of the current board members and senior staff;
- set out the Company's policies on governance and openness;
- give details of remuneration of board members and senior staff in salary bands;
- contain information on access to the register of members' interests; and,
- disclose the information as required to be disclosed by a public company under the Company Law.

16. Appraisal Panel

The Board shall establish an Appraisal Panel to appraise the cases submitted for the CAF financing.

17. Audit Committee

The Board shall establish an Audit Committee, the Terms of Reference of which are given in Appendix 1.

18. The Role of General Manager

18.1 The General Manager shall be accountable to the Board for the overall Organisation, Management, and staffing of the Company and for its procedures in financial and other matters, including conduct and discipline. This includes promoting by leadership and example the values embodied in this Code of Conduct. The Board Members shall support the General Manager in undertaking this responsibility.

18.2 The Board of Directors shall have overall responsibility for the conduct of the Company's finances. The General Manager shall be accountable to the board for the propriety and regularity of the finances for which the Company is answerable, for keeping proper accounts, for prudent and economical administration, for avoiding of waste and extravagance, and for the efficient and effective use of all the resources in the Company's charge. He/she shall have a responsibility to see that appropriate advice is tendered to the Board on all these matters.

19. Equal Opportunity and the Participation of Women

The Company shall implement an equal opportunity policy to ensure that no grant applicant, member of staff or Board Member receives less favourable treatment on grounds of sex, marital status, age, colour, racial origin, religion, disability, sexual orientation or any personal characteristic, or is disadvantaged by terms and conditions of service or requirements which cannot be shown to be justifiable. The Company shall ensure that staff are recruited, promoted, transferred and selected for training on the basis of their qualifications, skills, abilities and aptitudes. The Company shall review regularly its staffing policies and employment practices and procedures with the above objectives in mind. The Company shall regularly monitor the operation of its equal opportunity policy to ensure that it is working in practice.

The Board will ensure that in respect of all its activities (Board membership, staffing and receipt of grant funding) women will have equal access for participation.

20. The Company as an Employer

20.1 The Board shall have to ensure that:

- The Company shall comply with all relevant employment legislation, and that it employs suitably qualified staff that will discharge their responsibilities in accordance with the high standards expected of them. All staff shall have to be familiar with the Company's mission, its main aims and objectives and its business plan, and this Code of Conduct;
- The Company shall adopt management practices which use resources in the most efficient, effective and economical manner;
- The Company practice in recruiting and managing staff shall provide for appointment and advancement on merit, on the basis of equal opportunity for all applicants and staff. When filling senior staff appointments there shall have to be an adequate field of qualified candidates, and full open competition must normally be used; and,

- The Company's Board and its staff shall have access to expert advice and suitable training opportunities to enable them to exercise their responsibilities effectively.

20.2 The Board shall have a responsibility to monitor the performance of the general manager and other senior staff. Where the terms and conditions of employment of the general manager and other senior members of staff include an entitlement to be considered for performance-related pay, and where such payments are assessed by Board Members, the Board shall ensure that it has access to the information and advice required to make the necessary judgements.

21. Reporting Misconduct

21.1 From time to time a situation may arise where a member of the board or the Company's management staff has serious concerns about perceived irregularities in the running of the Company or the activities of colleagues within the Company. Such concerns might relate to, for example, financial malpractice, departure from good governance expectations, or concerns that the Company might be acting beyond its powers.

21.2 The Board shall be required to set in place the channels through which staff can make such allegations of misconduct.

21.3 Provided that the allegation is made lawfully, without malice and in the public interest, the employment position within the Company of the individual making the allegation shall not be jeopardised.

22. Conflict of Interest

22.1 Conflict of interest provisions are intended to avoid any danger of board members or the Company's management staff being influenced, or appearing to be influenced, by their private interests in the exercise of their duties. All Board Members shall therefore declare any personal or business interest (guideline for declaration and register of interest is at [Appendix 2](#)), which may be perceived (by a reasonable member of the public) to influence their judgement. This shall have to include, as a minimum, personal direct and indirect pecuniary interests, and shall have to normally also include, such interests of close family members and of people living in the same household.

22.2 The Company shall maintain a register of interests that shall be kept up to date and open to the public. A declaration of any interest shall have to also be made at any board meeting if it relates specifically to a particular issue under consideration, for recording in the minutes (whether or not a member also withdraws from the meeting). The Board Members shall not participate in the discussion or determination of matters in which they have an interest, and shall normally withdraw from the meeting if:

- their interest is direct and pecuniary; or
- their interest is covered in specific guidelines adopted by the Board which requires them not to participate and/or to withdraw from the meeting.

23. Role and Responsibility of Members

- 23.1 The Members of the Company shall at all times abstain from doing anything that is contrary to the objective of the Company or detrimental to the interest or repute of the Company.
- 23.2 All the provisions contained in this Code of Conduct are applicable to the Members of the Company with necessary modifications as the situation or context requires.

Chapter III

Enforcement of the Code of Conduct and Legal Proceedings

24. Enforcement of the Code of Conduct

- 24.1 The disinterested Board Members shall review and investigate any allegation of a breach of this Code of Conduct by any Board Member, Member of the Appraisal Panel, member of the Audit Committee, General Manager, and management staff, Company Secretary or Member of the Company.
- 24.2 Any person who is subject to such an allegation shall be informed of the allegation and be allowed ample opportunity to review the details of such allegation and present his/ her defence.
- 24.3 If the majority of the disinterested Directors determine that alleged action constitutes the violation of this Code of Conduct, then such majority of Directors may take appropriate actions against the person.
- 24.4 The appropriate action against the management staff may include reprimand, suspension from the service for a certain period to termination of service.
- 24.5 Appropriate action against the Board Member, member of the Appraisal Panel or member of the Audit Committee may include reprimand, suspension from the directorship or membership of the Board, Panel or Committee for a certain period to termination of service.
- 24.6 Appropriate action against a member may include reprimand or presenting proposal of termination of membership before the general meeting.

25. Legal Proceedings

- 25.1 Although any legal proceedings initiated by a third party are likely to be brought against Commercial Agriculture Alliance as a company, in exceptional cases proceedings (civil or criminal) may be brought against the Chairperson or other individual Board or staff members. A Board or staff member may be personally liable if he/she makes a fraudulent or negligent statement which results in loss to a third party. Board and staff members who misuse information gained by virtue of their position may be liable under legislation governing breach of confidence.
- 25.1 However, individual Board and staff members who act honestly, reasonably, in good faith and without negligence must not normally incur any liability in an individual capacity, provided they are acting in furtherance of their Company functions.

Appendix 1

Audit Committee

A.1.1 Terms of Reference

1.1.1 The Audit Committee's Terms of Reference are as follows.

- a. To advise the Board on:
 - i. the effectiveness of the Company's internal control systems;
 - ii. readjustment on intervention strategy on the basis of progress made
 - iii. risk management, including:
 - the implications of the annual review of the Company's internal control arrangements,
 - the Company's approach to risk management and overall risk management arrangements, and
 - the management of significant risks;
 - iv. external audit matters, including:
 - the appointment or re-appointment of the external auditor for performance audit, financial audit,
 - the audit fee,
 - the external auditor's management letter, and the management response,
 - the provision of any non-audit services by the external auditor,
 - the Committee's evaluation of the performance and effectiveness of the external auditor, and
 - any questions of resignation or dismissal of the external auditor;
 - v. internal audit matters, including:
 - the appointment or re-appointment of the internal auditor,
 - the audit fee,
 - the terms of engagement of the internal auditor,
 - significant internal audit reports and the management response,
 - the provision of any non-audit services by the internal auditor,
 - the Committee's evaluation of the performance and effectiveness of the internal auditor, and
 - any questions of resignation or dismissal of the internal auditor;
 - vi. any reports from external agencies relevant to the audit of the Company and,
 - vii. arrangements to promote economy, efficiency and effectiveness in CAA.

- b. To review the draft directors' report and financial statements, and advise the Board accordingly.
- c. To ensure the independence and impartiality of the external auditors, advise the Board of any situation in which this may be compromised and recommend appropriate remedial action.
- d. To consider, and discuss with the external auditor, where appropriate:
 - i. the nature and scope of the audit, before the audit begins;
 - ii. the directors' report and financial statements; and,
 - iii. any issues arising from the audit, including a review of the management letter and the Company's response, and any other matters the external auditor may wish to discuss (in the absence of the Company's staff where necessary).
- e. To consider, and discuss with the internal auditor, where appropriate:
 - i. the audit needs assessment, the audit plan and the resources available for internal audit; and,
 - ii. all internal audit reports and the management response to those reports.
- f. To monitor the implementation of all agreed audit recommendations.
- g. To consider any other issues requested by the board, and to advise the board accordingly.
- h. To discharge other duties and responsibilities as required by the prevailing Company Law.

1.1.2 The Audit Committee shall be authorised by the board to:

- a. Investigate any activity within its terms of reference. It shall be authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the Committee.
- b. Obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

1.1.3 The Audit Committee shall ensure that their ethical and compliance commitments are understood and accepted by all levels of the Company management and staff in accordance with this Code of Conduct. All staff shall have to clearly understand that fraud, corruption, and financial misreporting are totally unacceptable. All such concerns shall have to be dealt with quickly and appropriately, potential fraud and corruption issues that violate Government's and Asian Development Bank's prevailing Anticorruption Policy shall have to be immediately brought to the attention of both the Government and the Asian Development Bank.

A 1.2 Membership

2.2.1 There shall be three members in the Audit Committee, out of which at least one member shall have to be nominated from among the Board Members who are not involved in the day-to-day operation and management of the Board. At least one member of the Audit Committee shall be a person with working experience having professional certificate in accounting and financial sector after having received at least the graduation degree in

account, commerce, management, finance or economics. An Audit Committee meeting shall only be considered quorate if all members are present.

2.2.2 The Chairperson of the Committee shall be appointed by the Board of Directors. If all or at least two members of the committee are also the members of the Board of Directors, the member appointed by the Board of Director shall be the chairperson of the committee. But if there is only one member from the Board of Director such person shall be appointed as the chairperson of the committee.

2.2.3 All Audit Committee members shall be appointed by the board. Any Committee member who is not a member of the Board shall be appointed for three years in the first instance, and shall be eligible for reappointment once only.

A.2.3 Attendance at Meetings

2.3.1 The Company's general manager, or a suitably qualified member of the Company staff delegated by the general manager with the approval of the Audit Committee Chairperson, shall normally attend meetings and provide secretariat support to the Committee.

2.3.2 A representative of the external auditor and the internal auditor shall attend meetings where business relevant to them is to be discussed.

A.2.4 Frequency of Meetings

The Audit Committee shall normally meet quarterly. Meetings shall be scheduled on the same day as but prior to quarterly board meetings. Additional meetings shall be held as appropriate to the effective implementation of the audit function. The Committee shall, if considered appropriate by either the Committee Chairperson or the external auditor, also meet semi-annually with the external auditor. The external auditor or the internal auditor may also request a meeting with the Audit Committee at any time if they consider it necessary.

A.2.5 Reporting

2.5.1 The minutes of meetings of the Audit Committee shall be circulated to all members of the Board.

2.5.2 The Committee shall provide an annual report of its work for the Board after the end of each financial year. The report shall summarise the activity for the year. It shall include the Committee's recommendation on the extent to which the Board may rely on the internal control system and risk management systems and the arrangements for securing economy, efficiency and effectiveness.

Appendix 2

Declaration and Register of Interests

A.2.1 Declaration of Interests

2.1.1 Any Board Member who has a material interest, either directly or through a partner, spouse or close relative, in matters being considered by, or likely to be considered by the Board shall declare that interest. Such declarations shall describe the interest clearly and state whether it carries direct or indirect financial benefits. This requirement shall also apply to the management staff and Company Secretary.

2.1.2 Relevant interests in this context are as follows:

- a. Executive and non-executive directorships of, significant shareholdings in, or employment by, public or private companies seeking funding from the Company.
- b. Ownership or part-ownership of, or employment by, businesses or consultancies linkage with clients and suppliers of the Company.
- c. Remunerated or honorary positions and other connections with institutions that may give rise to a conflict of interest.

A.2.2 Register of Interests

2.2.1 The Code of Conduct requires that a formal register of interests be established. The register shall be made available to the public, on request, at the Company's head office. The existence and availability of the register shall be noted in Annual Reports.

2.2.2 The register shall include details of all directorships and other relevant interests declared by Board Members and members of senior management, as defined in paragraph 2.1.2 above.

2.2.3 The register is kept up to date through an annual survey of members' interests.

A.2.3 Conduct in Board Meetings

Any Board member who has a clear and substantial interest in a matter under consideration by the Board shall declare that interest at any meeting where the matter is to be discussed, whether or not that interest is already recorded in the register. At the discretion of the Chairperson, the member concerned shall withdraw from the meeting during the relevant discussion or decision.

A.2.4 Membership of Committee

Members shall not accept positions on Board committees or working groups where a conflict of interest is likely to arise, without first declaring that interest.

