



Jamaica Public Service Company Limited

Audit Committee Charter

Instituted: [date]

Amended: [date];
[date]; &

Approved by: [Board of Directors]
[date].

Jamaica Public Service Company Limited

Audit Committee Charter

1. PURPOSE

- 1.1 The JPS Audit Committee (the Committee) of the Board of Directors (the Board) of the Jamaica Public Service Company Limited (the Company) shall be responsible for assisting the Board to carry out its oversight responsibilities concerning the:
 - 1.1.1. Reliability and integrity of accounting policies and practices and the Company's financial statements;
 - 1.1.2. Qualification, independence and performance of the external auditors of the Company;
 - 1.1.3. Performance of the internal audit function;
 - 1.1.4. System of internal controls and procedures established by management and reviewing their effectiveness; and
 - 1.1.5. Risk management functions and processes of the Company.
- 1.2. This Charter sets out below the authority, administration, rights, role and responsibilities of the Committee.

2. AUTHORITY

- 2.1. The Board has authorized the Committee to:
 - 2.1.1. Perform the activities required to discharge its responsibilities to the Board as outlined above;
 - 2.1.2. Make recommendations to the Board regarding the appointment, re-appointment or termination of the external auditors.
 - 2.1.3. Resolve any disagreements between management and the external auditor(s) regarding financial reporting;
 - 2.1.4. Challenge executive management and draw sufficient attention to inappropriate practices to provide meaningful protection to investors and independent and objective oversight.

2.1.5. Pre-approve all auditing services;

2.1.6. Seek the services of outside legal counsel or other independent professionals to advise the Committee or assist in the conduct of an investigation; and

2.1.7. Investigate any activity within its Charter and examine any other matters referred to it by the Board. For the explicit purposes of performing their duties, the Committee shall have unrestricted but reasonable access to the CEO, the CFO and the Internal Auditor and all company records, tax and other financial advisors, legal advisors and external auditors. Executive management has unrestricted access to the Committee, as necessary and appropriate.

3. ADMINISTRATION

3.1 The Audit Committee will consist of at least three and no more than six members of the Board

3.1.1. The Board appoints the members and the Committee Chair.

3.1.2. The Chair of the Board shall not be the Committee Chair.

3.1.3. The Committee Chair shall be an Independent Non-Executive Director. See definitions of "Independent Director" and "Non-Executive Director" in the Appendix.

3.1.4. The Committee is to be composed of at least one member appointed by the Minority shareholder and at least one member appointed by each Majority shareholder.

3.1.5. The Audit Committee shall consist of a minimum of three non-executive directors the majority of whom should be independent. Executive directors may be appointed as members of the Committee, however, at all times the Committee must be comprised of a majority of independent, non-executive directors.

3.1.6 The Board may remove and replace members of the Committee.

3.2 Expertise

3.2.1 The skills needed on the Committee should be commensurate with the operation of the Company and the type of transactions in which the Company engages.

3.2.2 All members of the Committee should be Financially Literate. However, at least one member of the Committee should have accounting or related financial

management expertise and be designated a Financial Expert. This designation of a member of the Committee as a "Financial Expert" does not impose duties obligations or liability greater than that borne by a member of the Committee without the designation. See definitions of "Financially Literate" and "Financial Expert" in the Appendix.

3.2.3 The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

3.2.4 The JPS Company Secretary (or his nominee) shall act as the Committee Secretary.

3.3 Meetings

3.3.1 Meetings shall be held at least four times a year on dates set by the Committee Chair.

3.3.2 Any member of the Committee may request the calling of a meeting of the Committee and any other Directors of the Board may request the Committee Chair to call a meeting.

3.3.3 A notice of each meeting confirming the date, time, venue and agenda shall be forwarded to each member of the Committee no later than 5 business days prior to the intended date of the meeting. The notice to members will include any supporting papers for the agenda items to be discussed.

3.3.4 A quorum for any meeting is two members of the Committee.

3.3.5 In the absence of the Committee Chair or appointed delegate, the members will elect one of the members as the Chair of that meeting.

3.3.6 The Committee may extend an invitation to any person, including any employee of the Company to attend all or part of any meeting of the Committee which it considers appropriate, after consultation with the CEO or CFO.

3.3.7 Any person with a material personal interest in a matter being considered at a meeting or that may create a conflict of interest must not be present for consideration of that matter.

3.4 Minutes

3.4.1 The Committee Secretary must prepare minutes for each Committee meeting.

3.4.2 The draft minutes of each Committee meeting are to be reviewed by the Committee Chair and circulated to all Committee members by the Committee Secretary as soon as practicable after each Committee meeting.

3.4.3 A copy of the Committee minutes is to be endorsed by the Committee Chair. Once approved, minutes may be circulated to all other members of the Board unless it would cause a Conflict of Interest to do so.

4. ROLES & RESPONSIBILITIES

In discharging its duties, the Committee shall:

4.1 Financial Statements

In discharging its duties for reviewing financial statements and reporting the Committee does not provide any expert or special assurance as to financial statements concerning compliance with laws, regulations or generally accepted accounting principles. It is the responsibility of the Company's management to prepare financial statements that are complete and accurate and in accordance with International Financial Reporting Standards (IFRS), and it is the responsibility of the external auditor to audit those financial statements. The Committee's responsibility in this regard is one of oversight and review.

4.1.1 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.

4.1.2 Review the annual and interim financial reports/statements, and the management representation letter to the external auditors (where applicable), with management and the external auditors before filing with regulators and consider whether they are complete and consistent with the information known to committee members.

4.1.3 Discuss with management and the external auditors significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of the deficiencies.

4.1.4 Discuss with management the major financial risk exposures and the steps that management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies and procedures.

4.2 Accounting Policies

- 4.2.1 Review and discuss with management and the external auditors the appropriateness of accounting policies applied in the financial reports and any significant financial reporting issues and judgments made in connection with the preparation of the financial statements.
- 4.2.2 Review the financial statements for compliance with accounting standards and policies and relevant laws.

4.3 Internal Control

- 4.3.1 Review the Company's system of internal control (including financial, operational, compliance, information systems and risk management) and make recommendations to the Board.
- 4.3.2 Meet with the Company's External Auditors at least once in every year and more often as required, to discuss the Annual Audited Financial Statements and other audits conducted of the Company's operations and internal control weaknesses, or other observations identified from the same and otherwise to carry out its mandate;
- 4.3.3 Meet with the Chief Audit Executive of the Company or other officer or employee acting in a similar capacity and with other members of management to discuss the effectiveness of the internal control procedures established.
- 4.3.4 Meet with the Chief Risk Officer of the Company or other officer or employee acting in a similar capacity and other members of management as appropriate to review risk management policies and procedures and the major financial and other risks and exposures affecting the Company and to ensure the monitoring and control of such risks and exposures.

4.4 Internal Audit

- 4.4.1 Approve the Internal Audit Charter. Ensure there are no unjustified restrictions or limitations.
- 4.4.2 Review and concur on decisions regarding the appointment, replacement or removal of the Chief Audit Executive.
- 4.4.3 Final approval of the annual audit plan and all major changes to the plan and ensure it addresses key areas of risk and that there is appropriate coordination with the external auditor.

- 4.4.4 To ensure that significant findings and recommendations made by the internal auditors and management's proposed response are received, discussed and appropriately acted on.
- 4.4.5 Review the internal audit activity's performance relative to its plan.
- 4.4.6 Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing; Code of Ethics; Core Principles for the Professional Practice of Internal Auditing; International Professional Practice Framework; and International Standards for the Professional Practice of Internal Auditing (Standards).
- 4.4.7 Regularly, meet separately with the Chief Audit Executive to discuss any matters that the Committee or internal audit believes should be discussed privately.

4.5 External Audit

- 4.5.1 Make recommendations to the Board regarding the appointment, re-appointment or termination of the external auditors.
- 4.5.2 Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- 4.5.3 Review the external auditors' Management Letter and the appropriateness of management's response to the findings.
- 4.5.4 Hold in-depth discussions with the external auditors regarding what changes or improvements should be made in internal controls, policies or financial reporting and disclosure processes.
- 4.5.5 Periodic follow-up with management to ensure that the necessary steps are taken to address/correct significant findings.
- 4.5.6 Oversee the resolution of disagreements between management and the external auditors regarding financial reporting.
- 4.5.7 Review and confirm the independence of the external auditors at least annually by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services and discussing the relationships with the auditors.
- 4.5.8 Review with the independent auditor the following: (a) Alternative treatment of financial information within generally accepted accounting principles related to material items that have been discussed with management etc. (b) Other

material written communication between the independent auditor and management.

- 4.5.9 Regularly, meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately.
- 4.5.10 Set clear hiring policies for the Company's hiring of employees or former employees of the independent auditor who were engaged in the Company's account, and ensure the policies comply with any regulations applicable to the Company.

4.6 Compliance

- 4.6.1 Review the findings of the external auditor regarding the Company's financial statements, accounting policies and practices, risk management practices or compliance with laws and regulations and ensure that steps are taken to address all weaknesses detected.
- 4.6.2 Review the process for communicating the code of conduct to the Company's personnel and for monitoring compliance therewith.
- 4.6.3 Obtain regular updates from the Chief Audit Executive, management, and company legal counsel, regarding compliance matters that may have a material impact on the Company's financial statements or compliance policies.
- 4.6.4 Periodically review major policies of the Company relating to corporate governance, ethics and conduct, insider trading, conflicts of interests, as is necessary.

4.7 Risk Management & Internal Control

- 4.7.1 Oversee the Company's risk management functions.
- 4.7.2 Periodically review and recommend changes to the Risk Management Policy.
- 4.7.3 Review and monitor all financial, operational, and compliance risks as identified and prioritized by management, including potential and emerging risks that may arise from time to time along with the tracking of those risks.
- 4.7.4 Monitor risk tolerance levels, stress testing, and metrics in the areas of risk exposure and where necessary, approve changes.

4.8 Other Responsibilities

4.8.1 Perform other activities related to this Charter as requested by the Board.

4.8.2 Institute and oversee special investigations as needed.

4.8.3 Review and assess the adequacy of the Committee Charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

4.8.4 Confirm annually that all responsibilities outlined in this Charter have been carried out.

4.8.5 Evaluate the Committee's and individual members' performance on a regular basis.

5. REPORTING RESPONSIBILITIES

5.1 Regularly report to the Board of Directors about the Committee's activities, issues, and related recommendations.

5.2 The Committee Chair (or a person nominated by the Committee Chair for that purpose) must provide a written report on the Committee's proceedings and all material matters relevant to the Committee's duties and responsibilities to the Board at the next Board meeting following each Committee meeting, and make any recommendations the Committee deems appropriate.

5.3 Provide an open avenue of communication between the internal audit, the external auditors and the Board.

5.4 The auditors (internal and external) should have an unobstructed and clear communication channel to the Committee.

5.5 Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

5.6 Review any other reports the Company issues that relate to the Committee's responsibilities.

6. PROCEDURES FOR TREATMENT OF COMPLAINTS

The Committee must establish and implement procedures for receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

7. REVIEW OF THE COMMITTEE PERFORMANCE & CHARTER

- 7.1 The Committee will review its performance and its Charter annually, paying particular attention to the extent that it has met its responsibilities in this Charter, and make recommendations as it sees fit to the Board.
- 7.2 The Board will review the Committee's activities and the Charter at least annually. The Board may from time to time make any changes it deems necessary to the Committee's Charter and issue such guidelines as it may deem necessary.

Appendix

Term	Definition
Financial Expert	<p>A person who possesses the following attributes:</p> <ul style="list-style-type: none"> • An understanding of generally accepted accounting principles (in particular, IFRS) and the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; • Experience in the preparation, audit and analysis or evaluation of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Company's financial statements, or experience in active supervision of one or more persons engaged in such activities; and • An understanding of internal controls and procedures for financial reporting.
Financially Literate	<p>Possessing the ability to read and understand fundamental financial statements, including the Company's statements of financial position (balance sheets), income statements and cash flow statements as well as possessing a working familiarity with basic finance and accounting practices.</p>
Independent Director	<p>An Independent Director means a Director who has no direct or indirect material relationship with the Company other than membership on the Board and who:</p> <ul style="list-style-type: none"> (a) has not been employed with the Company within the last five (5) years. (b) has not had any material business relationship with the Company (outside of being a customer of the Company) either directly or as a partner, or as a significant shareholder, director or officer of a body that has had such a relationship with the Company within the last five (5) year. (c) is not affiliated with any non-profit organization that receives significant funding from the Company. (d) is not employed as senior management of another company where any of the Company's Directors or senior management serve on that company's Board. (e) has not received additional remuneration from the Company apart from Board or Board Committee related fees.
Non-Executive Director	<p>A Director who is not employed to the Company and is therefore not normally responsible for aspects of the Company's day to day operations.</p>

APPROVED BY:

CHAIRMAN – JPS BOARD OF DIRECTORS

DATE

RECOMMENDED BY:

CHAIRMAN – AUDIT COMMITTEE

DATE