



AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
("AEEI")

POLICY DOCUMENT

AUDIT & RISK COMMITTEE

CHARTER

AUDIT & RISK COMMITTEE

CHARTER: 2017

1. PREAMBLE

- 1.1 The Audit & Risk Committee (“the Committee”) is constituted as a joint statutory committee of the Board of Directors of African Equity Empowerment Investments Limited (“the Group”) in respect of its statutory duties in terms of section 94 (7) of the Companies Act, 2008 and a Committee of the Board in respect of all other duties assigned to it by the Board.
- 1.2 The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of the Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.3 This Charter must be read in conjunction with the Risk Charter.
- 1.4 This Charter is subject to the provisions of the Companies Act, the Group’s Memorandum of Incorporation, King IV and any other applicable law or regulatory provision.

2. PURPOSE

- 2.1 The purpose of this Charter is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures –
 - 5.4.1 Composition;
 - 5.4.2 Role;
 - 5.4.3 Responsibilities; and
 - 5.4.4 Requirements for meetings and meeting procedures.

3. COMMITTEES COMPOSITION

- 3.1 The Committee comprises at least three to be elected by the Shareholders on recommendation by the Nominations Committee.

- 3.2 The Chairman of the Audit & Risk Committee will be an *ex officio* member of this Committee.
- 3.3 All members of the Committee must be suitably skilled and experienced independent Non-Executive Directors.
- 3.4 The members of the Committee must collectively have sufficient qualifications and experience to fulfill their duties, including an understanding of the following:
 - 3.4.1 Financial and sustainability reporting;
 - 3.4.2 Internal financial controls;
 - 3.4.3 External audit process;
 - 3.4.4 Internal audit process;
 - 3.4.5 Corporate Law;
 - 3.4.6 Risk Management;
 - 3.4.7 Sustainability issues;
 - 3.4.8 Technology and information governance and
 - 3.4.9 Compliance Governance. .
- 3.5 The Chairman of the Board is not eligible to be the Chairman or a member of the Committee.
- 3.6 The Committee is chaired by an independent Non-Executive Director.
- 3.7 The Board elects the Chairman of the Committee.
- 3.8 The Board must fill vacancies on the Committee within 40 business days after the vacancy arises.
- 3.9 The Committee members must keep up-to-date with developments affecting the required skill-set.

4 COMMITTEES ROLE

- 4.1 The Committee has an independent role with accountability to both the Board and Shareholders. The Committee does not assume the functions of management, which remain the responsibility of the Executive Directors, Executive Management and other members of senior management.
- 4.2 The Committee's role is to provide independent oversight of:

- 4.2.1 the effectiveness of the organisation's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function; and
- 4.2.2 the integrity of the annual financial statements and, to the extent delegated by the board, other external reports issued by the organisation.
- 4.3 The Committee has the power to make decisions regarding its statutory duties, and is accountable for its performance in this regard. In addition to its statutory duties, the board may delegate other responsibilities to the Committee.
- 4.4 The governance of risk has been delegated to the Committee. The Committee should oversee the management of financial and other risks that affect the integrity of the external reports issued by the organisation.

5 COMMITTEES RESPONSIBILITIES

- 5.1 The Committee has the following specific responsibilities –
 - 5.1.1 Have regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring of enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
 - 5.1.2 Review of annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
 - 5.1.3 Comment in the annual financial statements on the financial statements, the following:
 - 5.1.3.1. The accounting practices and the effectiveness of the internal financial controls;
 - 5.1.3.2. A statement as to whether the Committee is satisfied that the external auditor is independent of the organisation;

- 5.1.3.3. Controls that address the provision of non-audit services by the external auditor and the nature and extent of such services rendered during the financial year;
- 5.1.3.4. The tenure of the external audit firm and; in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
- 5.1.3.5. The rotation of the designated external partner;
- 5.1.3.6. Significant matters that committee has considered in relation to the annual financial statements and how these were addressed by the Committee;
- 5.1.3.7. The Committee's view on the quality of the external audit with reference to audit quality indicators such as those that may be included in inspection reports issued by external audit regulators;
- 5.1.3.8. The Committee's view on effectiveness of the chief audit executive and the arrangements for internal audit;
- 5.1.3.9. The Committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error;
- 5.1.3.10. The Committee's views on the effectiveness of the CFO and the finance function
- 5.1.4 Review of the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 5.1.5 Recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
- 5.1.6 Recommend the integrated report for approved by the Board;
- 5.1.7 Consider the frequency for issuing interim results;
- 5.1.8 Consider whether the external auditor should perform assurance procedures on the interim results;

5.1.9 Review the content of the summarised information for whether it provides a balanced view; and

5.1.10 Engage the external auditors to provide assurance on the summarised financial information.

5.2 **Combined Assurance**

5.2.1 The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

5.2.1.1 Ensure that the combined assurance received is appropriate to address all significant risks facing the company; and

5.2.1.2 Monitor the relationship between the external assurance providers and the company.

5.2.2 The Committee reviews the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report.

5.3 **Internal Audit**

5.3.1 The Committee is responsible for overseeing of internal audit, and in particular the Committee must:

5.3.1.1 Be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive.

5.3.1.2 Approve the internal audit plan; and

5.3.1.3 Ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

5.4 **Risk Management**

5.4.1 The Committee is an integral component of the risk management process and specifically the Committee must oversee:

5.4.1.1 Financial reporting risks;

- 5.4.1.2 Internal financial controls;
- 5.4.1.3 Fraud risks as it relates to financial reporting; and
- 5.4.1.4 IT risks as it relates to financial reporting.

5.5 **External Audit**

- 5.5.1 The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the Committee must –
 - 5.5.1.1 Nominate the external auditor for appointment by the Shareholders;
 - 5.5.1.2 Approve the terms of engagement and remuneration for the external audit engagement;
 - 5.5.1.3 Monitor and report on the independence of the external auditor in the annual financial statements;
 - 5.5.1.4 Define a policy for non-audit services provided by the external auditor;
 - 5.5.1.5 Pre-approve the contracts for non-audit services to be rendered by the external auditor;
 - 5.5.1.6 Ensure that there is a process for the Audit & Risk Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
 - 5.5.1.7 Review the quality and effectiveness of the external audit process;
 - 5.5.1.8 Ensure the rotation of the designated external audit partner;
 - 5.5.1.9 Ensure that any significant changes in the management of the organisation during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management.

5.6 **Technology and information governance**

The Committee should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives and has delegated this responsibility to management to implement and execute effective technology and information management.

The Committee shall exercise ongoing oversight of technology and information and, in particular oversee that it results in the following:

- 5.6.1 Integration of people, technologies, information and processes across the organisation.
- 5.6.2 Integration of technology and information risks into organisation-wide risk management.
- 5.6.3 Arrangements to provide for business resilience.
- 5.6.4 Proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events.
- 5.6.5 Management of the performance of, and the risks pertaining to, third-party outsourced service providers.
- 5.6.6 The assessment of value delivered to the organisation through significant investments in technology and information, including evaluation of projects throughout their life cycles and of significant operational expenditure.
- 5.6.7 The responsible disposal of obsolete technology and information in a way that has to regard to the environmental impact and information security.
- 5.6.8 Ethical and responsible use of technology and information.
- 5.6.9 Compliance with relevant laws.
- 5.6.10 Exercise ongoing oversight of the management of information and in particular oversee that it results in the following:
 - 5.6.10.1 The leveraging of information to sustain and enhance the organisations intellectual capital.
 - 5.6.10.2 An information architecture that supports confidentiality, integrity and availability of information.
 - 5.6.10.3 The protection of privacy of personal information.
 - 5.6.10.4 The continual monitoring of security information.
- 5.6.11 Exercise ongoing oversight of the management of technology and in particular oversee that it results in the following:
 - 5.6.11.1 A technology architecture that enables the achievement of strategic and operational objectives.
 - 5.6.11.2 The management of risks pertaining to the sourcing of technology.

5.6.11.3 Monitoring and appropriate responses to development in technology including the capturing of potential opportunities and the management of disruptive effects on the organisation and its business model.

5.6.12 The Committee should consider the need to receive periodic independent assurance on the effectiveness of the organisation's technology and information arrangements, including outsourced services.

5.7 Compliance Governance

The Committee assumes responsibility for the governance of compliance with applicable laws and adopts non-binding rules and standards by setting the direction for how compliance should be approached and addressed in the organisation in a way that supports the organisation being ethical and a good corporate citizen.

This responsibility has been delegated to management for implementation and the execution of effective compliance management.

5.7.1 The Committee should oversee ongoing of compliance and in particular, oversee that it results in the following:

5.7.1.1 Compliance being understood not for the obligations it creates, but also for the rights and protection it affords.

5.7.1.2 Compliance management taking a holistic view of how applicable laws and non-binding rules, codes and standards relates to one another.

5.7.1.3 Continual monitoring of the regulatory environment and appropriate responses to changes and developments.

5.7.2 The Committee should consider the need to receive periodic independent assurance on the effectiveness of compliance management.

6. AUTHORITY

6.1 The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in this Charter. It has the power to investigate any activity within the scope of this Charter.

6.2 The Committee, in the fulfillment of its duties, may call upon the Chairman of the Board Committees, any of the Executive Directors, Executive Management, Officers; or Company Secretary or Assurance Providers to provide it with information subject to Board approved process.

- 6.3 The Committee has reasonable access to the Group's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following Board approval process.
- 6.4 The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.
- 6.5 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the Group's cost, subject to a Board approval process being followed.
- 6.6 The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the Board and the Shareholders. To this end the Chairman of the Committee must be present at all Annual General Meetings.
- 6.7 On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.

7. MEETING PROCEDURES

7.1 Frequency

- 7.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in this Charter, but subject to a minimum of two meeting per year.
- 7.1.2 Meetings in addition to those scheduled may, with approval of the Chairman, be held at the request of the external auditor, the Managing Director, Finance Director, Chief Audit Executive or other members of senior management; or at the instance of the Board.
- 7.1.3 The Committee must meet with internal and external auditors at least once a year without management being present.

7.2 Attendance

- 7.2.1 The Managing Director, Finance Director, Chief Audit Executive, representatives from the external auditors, other assurance providers, professional advisors, and Board members may be in attendance at Committee meetings, but by invitation only and they may not vote.
- 7.2.2 Committee members must attend all scheduled meetings of the Committee, including meetings called on an ad hoc-basis for special matters, unless prior

apology, with reasons, has been submitted to the Chairman or Company Secretary.

7.2.3 The Company Secretary is the secretary to this Committee.

7.2.4 If the nominated Chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairman.

7.3 **Agenda and Minutes**

7.3.1 The Committee must establish an Annual Work Plan each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year.

7.3.2 The Annual Work Plan must ensure proper coverage of matters laid out in Audit & Risk committee Charter: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.

7.3.3 The number, timing and length of meetings, and the agendas are to be determined in accordance with the Annual Work Plan.

7.3.4 A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Committee and other invitees.

7.3.5 Committee members must be fully prepared for Committee meetings to provide appropriate and constructive input on matters discussed.

7.3.6 The minutes must be completed as soon as possible after the meeting and circulated to the Chairman and Members of the Committee for review thereof.

7.3.7 The minutes must be formally approved by the Committee at its next scheduled meeting.

7.4 **Quorum**

7.4.1 A representative quorum for meetings is a majority of members present.

7.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

7.5 **Evaluation**

7.5.1 The Board must perform an evaluation of the effectiveness of this Committee every year.

8. **APPROVAL OF THIS CHARTER**

This Charter was approved the Committee on 29 August 2017 and approved by the Board on 30 August 2017.