



AFRICAN EQUITY EMPOWERMENT INVESTMENTS LIMITED
("AEEI")

RISK CHARTER

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1. POLICY

The AEEI Group policy document for audit and risk committee applies to this Committee and is incorporated into this Charter.

2. PURPOSE

The Risk Management Forum is established in conjunction with the Audit and Risk Committee to assist the board of directors in the effective discharge of its responsibilities for risk management and to ensure that management has implemented and maintained an effective risk management process in the Group.

3. COMMITTEES COMPOSITION

The members of the audit and risk committee are members of this committee. Executive members and managers are invited by the committee and are appointed to the risk forum.

4. AUTHORITY

The board has delegated the management of this Charter to the Audit and Risk committee who has the power to deal with and where applicable resolve and approve all matters falling within the scope of its purpose and duties as set out in this Charter and all other matters that may be delegated to it from time to time, including:

- to approve strategies, processes and control framework for the management of risk
- to approve, or recommend any changes to, risk appetite as appropriate
- to assess reports from the risk forum and report key issues to the audit committee.

5. RISK APPETITE STATEMENT

In fulfilling its mission, AEEI is exposed a very broad range of risks which arise as a consequence of its business operations and performing its duties.

In support of effective governance and risk-informed decision-making, the Board of AEEI has set out a risk appetite statement for those risks which, to a lesser or greater extent, are within its control to mitigate and manage. The risk appetite statement specifies the types of risks AEEI is willing to accept in fulfilling its mandate and informs policies on the allocation of accountabilities and resources to managing its risk exposures.

AEEI considers its reputation as its greatest strength and most valuable asset and will manage and avoid the occurrence of events that could have a significant negative impact on our reputation.

The risk appetite contributes to AEEI's commitment to uphold the highest standards of governance, ethics and professional conduct, consistent with maintaining credibility with its broad-range of stakeholder groups and in full compliance with applicable legal and regulatory obligations.

The key elements of AEEI's Risk Appetite are summarised below:

Objective:

AEEI has a low to medium appetite for assuming risk.

In support of AEEI's mission, the risk appetite focusses on the following risk management objectives:

- Upholding the highest ethical standards of conduct;
- Upholding the highest governance standards;
- Preserving the long-term resilience of the Group;
- Avoid losses when investing public money;
- Ensuring compliance with legal and regulatory obligations; and
- Maintaining a robust internal control environment and safeguarding operational continuity.

Principle Organisational Risks

- Financial risk
- Operational risk
- Strategic risk
- Legal risk
- Human resources risk
- Environmental risk

6. RISK TOLERANCE STATEMENT

AEEI's Risk Management Policy acknowledges that the success of AEEI is dependent on the effective management of those activities that support the key strategic objectives and value drivers as outlined in the Vision 2020 Vision Strategic Plan and that all activities has an associated element of inherent risk. It is imperative that all levels of the organisation assess risk in order to effectively identify and appropriately address them.

Defining acceptable levels of risk at AEEI:

Risk Tolerance varies from incident to incident and is a function of the *Likelihood* (frequency) of occurrence and the *Impact* (consequence) of the outcomes from occurrence. The Risk Management Framework defines the critical processes for identifying risks and prioritizing and proactively managing those risks. The resulting residual risk level is that measure of risk exposure remaining following implementation of mitigation and management strategies.

With the application of the Risk Management Framework, potential risk exposures are identified, assessed on their likelihood of occurrence and impact of the outcomes and evaluation by using the Risk matrix as identified in the Risk Management policy.

The Risk Tolerance levels act as a guide to inform internal and external stakeholders of the amount of risk that AEEI is willing to accommodate related to key aspects of its business operations.

The levels are:

Risk Magnitude	Risk Response Strategy	Risk Response Action
High	Avoid/ Reduce/ Transfer	Management shall take immediate action to reduce the risk and monitor effectiveness of controls with highest priority Have a contingency plan in place. Risk shall be brought to the attention of the CEO and Audit & Risk Committee.
Medium	Reduce/Share	Management shall consider action to reduce the risk & monitor effectiveness of mitigation strategies. Risks shall be brought to the attention of the CEO and Executive Committee.
Low	Accept	Management shall keep these risks under periodic review.

7. RESPONSIBILITIES

Subject to any resolution of the Board, the duties of the Audit and Risk Committee are to:

- Assist the directors in fulfilling their responsibilities for ensuring there is an effective risk management process in place throughout the Group.
- Assess reports from management concerning the Group’s risk management and compliance processes and controls in order to oversee the effectiveness of them.

- Assess reports from divisional management concerning business, operational risk and compliance risk in order to oversee these risks and assess their impact on the Group.
- Assess reports from management concerning the risk implications of new and emerging risks, legislative or regulatory initiatives and changes in order to ensure the risk is held at an acceptable level.
- Receive reports from management concerning resolution of significant risk exposure and risk events, in order to monitor them and approve them in accordance with the board's risk appetite.
- Assess whether all significant new business opportunities have been appropriately considered from a risk perspective.
- Oversee compliance by the Group with applicable external and regulatory obligations, and significant internal policies relating to the operation of its business units.
- Assess whether IT risk are adequately addressed through the risk management and assurance processes of the Group.
- Review the adequacy of the Group's insurance strategy.
- Facilitates communication of risk issues to all management.

Management is responsible for the preparation, presentation and integrity of information and all matters about which the Committee should be informed.

8. MEETINGS

All matters pertaining to risk must be covered in the Audit and Risk committee who will meet at least four times annually and more frequently if it deems necessary. External auditors attend the committee meetings by invitation. Internal auditor attends all the committee meetings.

9. DELEGATION

The Audit and Risk committee may, in its discretion, delegate all or portion of its duties and responsibilities to a risk forum.

10. RISK FORUM

- The risk forum is chaired by a member of the risk committee.
- Members are divisional managers and directors.
- Members will identify key risk areas which has inherent impact on the subsidiary or business unit.
- Members will identify update the key risk profile and review risk register at management level on regular basis.

- Members will perform self –assessments on controls to identify key business risks.
- The risk profile, register and reports are submitted to the Audit and Risk committee.

Role of Risk Forum

- Members are divisional managers who act as risk officers and will work in conjunction with executive management of its functional division.
- The risk forum will provide the board with assurance that significant business risks are systematically identified, assessed and reduced to acceptable levels in line with board’s risk appetite.
- Members will identify key risk areas which has inherent impact on the subsidiary or business unit.
- Members will identify and update the key risk profile and review risk register at executive management level on regular basis.
- The risk profile, register and reports are submitted to the risk committee twice a year.

11. FRAMEWORK

The Group will use the Committee of Sponsoring Organizations (COSO) framework and ISO9000 as a reference which is the best practice for risk management.

12. REPORTING and DISCLOSURES

The Chairman of the Audit and Risk committee will report to the board on progress of risk management.

The Group will disclose the risk management report in the integrated report.

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