

## **EPE CAPITAL PARTNERS LTD**

### **AUDIT AND RISK COMMITTEE ("the Committee")**

#### **CHARTER**

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#### **1. Constitution**

- 1.1. The Audit and Risk Committee is statutorily constituted as a Committee of the Board of Directors ("the Board") of EPE Capital Partners Ltd ("Ethos Capital" or "the Company").
- 1.2. The Committee's prime objective is to fulfil the statutory responsibilities of an Audit Committee and to assist the Board in discharging its responsibilities, relative to:
  - safeguarding of assets;
  - financial control and reporting;
  - compliance with accounting standards;
  - internal controls;
  - risk management;
  - JSE listings requirements;
  - shareholder reporting; and
  - corporate governance.

#### **2. Membership**

- 2.1. The Committee members and its Chairperson shall be recommended by the Board, and shall be appointed annually by the shareholders at the Annual General Meeting ("AGM").
- 2.2. The Committee shall comprise a minimum of three members, all of whom shall be independent non-executive Directors of the Company. The Chairperson of the Company may not be a member of the Committee.
- 2.3. All members of the Committee must be suitably skilled and knowledgeable with, collectively, sufficient qualifications and experience to fulfil their duties.

#### **3. Reporting Line**

The Committee reports to the shareholders of Ethos Capital on at least an annual basis, and to the Board on a more frequent basis.

The Committee Chairperson ("the Chairperson") shall attend the AGM of shareholders and present on Committee matters and deliberations.

#### **4. Meetings and Proceedings**

- 4.1. The Committee shall meet at least twice per annum for the purpose of discharging its business.
- 4.2. Further meetings may be called by the Chairperson, any member of the Committee, the Board, the external auditors, or the Senior Advisors. In terms of protocol, any such person shall first bring the reasons for the proposed meeting to the notice of the Chairperson who may then choose to convene an additional meeting.
- 4.3. The quorum for the transaction of business shall be a majority of members, present in person or by way of electronic media such as video- or telephone conferencing which shall enable a quorum to participate simultaneously.
- 4.4. Meeting agendas shall be prepared by the Company Secretary and the Committee Chairperson, with input from the Senior Advisors, and distributed at least 5 (five) working days in advance of the meeting, together with appropriate information to enable Committee members to prepare for meetings.
- 4.5. The Committee agendas for the year will ensure that the Committee's duties and responsibilities are all adequately catered for with sufficient frequency and time for effective discussion, across the scheduled meetings for the year.
- 4.6. Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 4.7. The Company Secretary and the Chairperson shall ensure that minutes are taken at all meetings of the Committee that they are reviewed and distributed timeously, and are approved by the Committee. The Chairperson shall give feedback to the board on Committee deliberations, decisions and recommendations, and may distribute the minutes to the Board.

#### **5. Attendance at Meetings and Conflict Declarations**

- 5.1. In addition to all members of the Committee, the Senior Advisors as per the Investment Services Agreement with Ethos Private Equity, including the Chief Financial Officer, and the external audit partner(s) shall be invited to all meetings, and shall have unrestricted access to the Chairperson and any other member of the Committee as is required in relation to any matter that falls within the remit of the Committee.
- 5.2. Other professional advisors, or representatives of Ethos Private Equity, may be invited to the meetings, at the discretion of the Chairperson.
- 5.3. No invitee shall be counted in the quorum, nor have a vote at meetings of the Committee.
- 5.4. Board members shall have the right of attendance.
- 5.5. The Chairperson may excuse from the meeting or from discussion on any item on the agenda, any of the attendees at a meeting who may have or may be considered by the Committee to have a conflict of interest.

- 5.6 At the beginning of each meeting of the Committee, all members shall declare any conflict of interest in respect of a matter on the agenda. Any such conflicts should be proactively managed as determined by the Committee, subject to legal provisions.

## **6. Terms of Reference, Duties and Responsibilities**

The Committee has an independent role with accountability to the shareholders and the Board, for external audit oversight, for financial controls, assurance and reporting, as well as for risk management oversight, and its duties and responsibilities include:

### **6.1. External Audit:**

The Committee is responsible for recommending the appointment of the external auditor, and to oversee the external audit process.

- 6.1.1 Evaluate the performance and effectiveness of the external auditors and of the external audit process.
- 6.1.2 Evaluate the independence of the external auditors and consider any material non-audit services rendered by such auditors, which may impair their independence; and report on their independence in the Annual Financial Statements.
- 6.1.3 Ensure the appointment of the external auditors complies with the provisions of the applicable Companies Act, and consider whether the audit firm and the individual auditor responsible for performing the audit, are accredited as such on the JSE list of auditors, as required by the JSE listings requirements.
- 6.1.4 Consider and make recommendations to the Board and to the shareholders on the appointment and retention of the external auditors, and any questions of resignation.
- 6.1.5 Approve the terms of engagement and the remuneration for the external audit engagement.
- 6.1.6 Define a policy for non-audit services provided by the external auditors, and pre-approve any contract for non-audit services to be rendered by the external auditors.
- 6.1.7 Ensure that there is a process for the Committee to be informed of any material findings or reportable irregularities identified and reported by the external auditors.
- 6.1.8 In respect of the external audit plan, performance and conclusion:
- discuss and review, with the external auditors, before the audit commences, the auditors engagement letter, the terms, nature and procedures of the engagement, and the proposed audit fee.
  - make suggestions as to problem areas that the audit can address.
  - negotiate any additional procedures, subject to agreement, beyond the minimum statutory and professional duties.

- review overall audit role, discuss implications of new auditing standards and ensure and sustain a proper audit that provides value for money.
- agree the timing and nature of reports from the external auditors.
- obtain feedback from the external auditors that adequate accounting records and internal controls are being maintained in respect of the company.
- obtain feedback from the external auditors, where appropriate, regarding any material weaknesses or internal control problems emanating from services provided in terms of the Investment Services Agreement.
- identify key matters reported in the current year's management letter and ensure these are being properly attended to, and consider any problems identified in internal control.
- consider any accounting treatments, significant unusual transactions, or accounting judgements, that could be contentious.
- consider any problems identified in the going concern considerations.
- consider qualifications in the audit report, if any.
- discuss actual fees versus budget, and approve any additional fees payable, including non-audit services.

## 6.2. Financial Reporting:

Examine and review any financial reports, updates or announcements, and the Annual Financial Statements, prior to submission and approval by the Board for publication, focusing particularly on:

- 6.2.1 Balanced and fair presentation.
- 6.2.2 Consistency of applicable accounting policies and standards, and reporting standards and requirements.
- 6.2.3 Major judgemental areas, significant adjustments, and going concern.
- 6.2.4 Internal controls, items in the external auditor's report to management, and the annual management representation letter to the auditors.
- 6.2.5 The impact of the existence and management of financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting, and information technology risk as it relates to financial reporting.

Receive and deal with any complaints relating to the accounting practices, the internal audit function, the content or auditing of financial statements, internal financial controls, or any related matter.

Comment in the Annual Financial Statements on the financial statements, the accounting practices and the effectiveness of internal financial controls.

Review the expertise, resources and experience of Ethos Private Equity's finance function, and of the Chief Financial Officer, and comment on results of this review in the Integrated Annual Report.

Obtain assurances from the Senior Advisers regarding the existence and effectiveness of financial internal controls, insofar as these risks and controls are pertinent to the services provided in terms of the Investment Services Agreement.

Confirm with the Senior Advisers in the context of the Investment Services Agreement with Ethos Private Equity, that all relevant fraud has been reported to the Committee, or that the Senior Advisers are not aware of any relevant fraud having occurred, insofar as such fraud has or could have impacted Ethos Capital.

### 6.3. Risk Management:

The committee assists the Board to ensure that the Company has implemented an effective policy and plan for risk management to enhance the Company's ability to more assuredly achieve its strategic and business objectives.

The Committee should:

- 6.3.1 Oversee the development, and annual review, of a policy and plan for risk management, to recommend to the Board for approval.
- 6.3.2 Monitor that the policy and plan has been implemented appropriately.
- 6.3.3 Recommend to the Board the levels of tolerance and risk appetite for the Company, and monitor that risks are managed within these levels of tolerance and appetite, through appropriate risk monitoring, responses and controls by the Senior Advisers and Ethos Private Equity, including its finance, operations and investment functions.
- 6.3.4 Oversee that the risk management plan is, as appropriate, integrated into the day-to-day activities of the Company, or into those activities provided in terms of the Investment Services Agreement.
- 6.3.5 Ensure that risk management assessments are performed and risk frameworks updated periodically by the Senior Advisers and Ethos Private Equity in terms of the Investment Services Agreement, if appropriate, thereby increasing the possibility of anticipating unpredictable risks.
- 6.3.6 Provide the Committee's opinion to the Board on the effectiveness of the Company's system and processes of risk management.
- 6.3.7 Review disclosure and reporting on risk management to ensure it is balanced, timely, comprehensive and relevant.

The Committee shall assist the Board with its oversight and monitoring of information technology risk impacting the Company.

The Committee should ensure that, as far as practical, a coordinated combined assurance approach is applied to provide assurance on the management of significant risks facing the Company; including obtaining assurances from Ethos Private Equity via the Senior Advisers regarding the existence and effectiveness of risk management and processes pertinent to the services provided in terms of the Investment Services Agreement.

The Committee shall monitor the Company's compliance with and adherence to applicable laws and regulatory, reporting and the JSE Listings Requirements.

#### 6.4 Internal Audit:

The Committee shall from time to time, consider the need for an Internal Audit Function, or for similar assurance services on an as needed basis

The Committee shall annually report on whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with its charter for the reporting period.

The committee shall provide a summary in the Integrated Annual Report on its role, composition, number of meetings, and how it has fulfilled its duties.

### 7. Authority

The Committee, in carrying out its duties and responsibilities:

- 7.1 Is authorised to investigate any activity, or consult externally, or obtain independent professional advice, on any matter within its terms of reference.
- 7.2 May, at the discretion of the Committee, require the Senior Advisers, professional advisors or others to attend meetings or part thereof.
- 7.3 May collectively or individually consult external professional advisors on relevant matters, after having advised the Chairperson or Company Secretary as appropriate. The Company shall be obliged to bear the costs of these consultation services.
- 7.4 Has unfettered access to all information, records, documents, and property of the Company; similarly, the Committee has access to and may consult with or seek information from the Senior Advisers, insofar as such information is pertinent to the Investment Services Agreement and to the mandate of the Committee.
- 7.5 Shall at least once a year meet confidentially with the external auditors and with the Chief Financial Officer.

The Board will perform, or cause to be performed, an annual assessment of the performance and effectiveness of this Audit and Risk Committee.

### 8. Review and Approval of this Charter

This Charter was reviewed and approved by the Board on 11 July 2016.

This Charter will be reviewed and amended as appropriate, and approved by the Board from time to time.

The dates of subsequent reviews and amendments of this Charter, and Board approval thereof are recorded in **Annexure A** to this Charter.

