

# CHARTER OF THE AUDIT AND RISK COMMITTEE



## PEERMONT

HOTELS CASINOS RESORTS

## 1. Definitions

1.1 In this Charter the following terms have the following meanings:

1.1.1 “**Act**” means the Companies Act 2008, as amended from time to time;

1.1.2 “**Board**” means the board of directors of each Company;

1.1.3 “**Business Day**” means each day excluding any public holiday, Saturday or Sunday;

1.1.4 “**Charter**” means the charter of the Committee as encapsulated in this document and shall include any future amendments to this document;

1.1.5 “**Committee**” means the Audit and Risk Committee established in terms of this Charter;

1.1.6 “**Company**” means each company in the Group which is required to appoint an audit committee in terms of the Act and/or Regulations;

1.1.7 “**Group**” means PGH I and its Subsidiaries;

1.1.8 “**Group Company**” means each company forming part of the Group irrespective of whether or not such company is a Company as defined in this clause 1.1;

1.1.9 “**IT**” means information technology;

1.1.10 “**Independent Director**” means a director with an absence of undue influence and bias which can be affected by the intensity of the relationship between the member of the Committee and each relevant Company;

1.1.11 “**Integrated Report**” means the Integrated Report published pursuant to the principles of King III of each Group Company compiling such report;

1.1.12 “**King III**” means the King Report on Corporate Governance, 2009;

1.1.13 “**PGH I**” means Peermont Global Holdings I (Proprietary) Limited;

1.1.14 “**PGH I Board**” means the board of directors of PGH I;

1.1.15 “**PGH II**” means Peermont Global Holdings II (Proprietary) Limited;

1.1.16 “**PGPL**” means Peermont Global (Proprietary) Limited;

1.1.17 “**Regulations**” means any regulations made pursuant to the Act from time to time; and

1.1.18 “**Subsidiary**” means each subsidiary of PGH I, as defined in the Act.

## **2. Establishment**

- 2.1 The PGH I Board hereby establishes an Audit and Risk Committee subject to the terms and conditions contained in this Charter.
- 2.2 The Committee shall perform the functions of the audit committee of PGH I and each of its Subsidiaries which are obliged to appoint an audit committee pursuant to the Act and/or the Regulations which it is recorded, for the avoidance of doubt, includes PGH II and PGPL.
- 2.3 In addition to clause 2.2, the Committee shall perform those functions in respect of all Group Companies which are set out in this Charter to be performed for or on behalf of the Group.
- 2.4 Nothing in this Charter shall be construed as creating an obligation upon any company in the Group to appoint an audit committee if such obligation does not exist in terms of the Act or Regulations.

## **3. Composition of the Committee**

- 3.1 The Committee comprises three non-executive members of the PGH I Board, provided that -
  - 3.1.1 at least one third of the members of the Committee must have academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management;
  - 3.1.2 the members of the Committee shall not be -
    - 3.1.2.1 involved in the day-to-day management of any Company's business or have been so involved at any time during the previous financial year; or
    - 3.1.2.2 a prescribed officer as defined in the Act or the Regulations, or full-time employee, of any Company or another related or inter-related company (as defined in the Act or the Regulations), or have been such an officer or employee at any time during the previous three financial years; or
    - 3.1.2.3 a material supplier or customer of any Company, such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that person is compromised by that relationship; and
    - 3.1.2.4 related to any person who falls within any of the criteria set out in any of clauses 3.1.2.1, 3.1.2.2 or 3.1.2.3
  - 3.1.3 if the Committee is to be compliant with the recommendations of King III –
    - 3.1.3.1 each member of the Committee must be an Independent Director; and
    - 3.1.3.2 neither the chairperson of the PGH I Board nor the chairperson of any other Board shall be eligible to be a member of the Committee.

- 3.2 The members of the Committee shall be elected at each annual general meeting of PGH I; provided that the PGH I Board shall appoint a person to fill any vacancy on the Committee within 40 Business Days after such vacancy arises.
- 3.3 The chairperson of the Committee shall be elected by the Committee.

#### **4. Audit Committee Duties**

The duties of the Committee as Audit Committee are divided into those duties required by the Act and those required by King III. These duties are cumulative, however in the event of a conflict between the duties required by the Act and those set out in King III, the duties required by the Act shall supersede and have preference over those set out in King III.

##### **Audit Committee duties pursuant to the Act**

- 4.1 Pursuant to the Act, the Committee has the following duties as Audit Committee:
  - 4.1.1 to nominate, to the shareholders of each Company, a registered auditor, which the Committee considers independent of the Group, for appointment as auditor of such Company;
  - 4.1.2 to determine the fees to be paid to the auditor and the auditor's terms of engagement;
  - 4.1.3 to ensure that the appointment of the Auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;
  - 4.1.4 to determine, subject to the provisions of the Act, the nature and extent of any non-audit services that the auditor may or must provide to each Company;
  - 4.1.5 to pre-approve any proposed agreement with the auditor for the provision of non-audit services to each Company;
  - 4.1.6 to prepare a report, to be included in the annual financial statements of each Company for that financial year -
    - 4.1.6.1 describing how the Committee carried out its functions;
    - 4.1.6.2 stating whether the Committee is satisfied that the auditor was independent of the Group; and
    - 4.1.6.3 commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Group;
  - 4.1.7 to receive and deal appropriately with any concerns or complaints, whether from within or outside the Group or on its own initiative, relating to:
    - 4.1.7.1 the accounting practices and internal audit of the Group;

- 4.1.7.2 the content or auditing of the Group's financial statements;
- 4.1.7.3 the internal financial controls of the Group; or
- 4.1.7.4 any related matter;
- 4.1.8 to make submissions to each Board on any matter concerning the Group's accounting policies, financial control, records and reporting; and
- 4.1.9 to perform such oversight functions as may be determined by any Board.

### **Audit Committee duties pursuant to King III**

#### **The Integrated Report**

- 4.2 The Committee must oversee the Group Integrated Report and in particular must:
  - 4.2.1 have regard to all factors that may impact on the integrity of the Integrated Report, including factors that may predispose management to present a misleading picture of the Group's position, performance or sustainability, significant judgments and reporting decisions made by management affecting the Integrated Report, monitoring or enforcement actions by a regulatory body against the Group, any evidence that brings into question previously published information, forward-looking statements of financial or sustainability information;
  - 4.2.2 review the group 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 and keep the Board apprised on these matters;
  - 4.2.3 comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls of each Company;
  - 4.2.4 be apprised when there is a disagreement on auditing or accounting matters between management and the external auditors;
  - 4.2.5 review the assessment of the going concern status of each Group Company;
  - 4.2.6 review the disclosure of sustainability issues in the Group Integrated Report to ensure that it is reliable and does not conflict with the financial information;
  - 4.2.7 recommend to each Board on the need for the engagement of an external assurance provider on material sustainability issues, if necessary;
  - 4.2.8 recommend the Group Integrated Report for approval by the relevant Board;
  - 4.2.9 recommend the annual financial statements for approval by each Board;
  - 4.2.10 consider the frequency for issuing interim results;

- 4.2.11 consider whether the external auditor should perform assurance procedures on the interim results;
- 4.2.12 review the content of the summarised information for whether it provides a balanced view;
- 4.2.13 where considered necessary, engage the external auditors to provide assurance on the summarised financial information; and
- 4.2.14 report annually to the shareholders and the Boards of each Company on the effectiveness of the Group's internal financial controls.

#### **Combined assurance**

- 4.3 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 must -
  - 4.3.1 consider if the combined assurance provided by the internal and external assurance providers and management is appropriate to address all the significant risks facing the Group; and
  - 4.3.2 monitor the relationship between the external assurance providers and the Group.

#### **Finance function and financial director**

- 4.4 The Committee must -
  - 4.4.1 annually review the expertise, resources and experience of the Group's finance function, and disclose the results of the review in its report that forms part of the Group Integrated Report; and
  - 4.4.2 consider and satisfy itself of the suitability of the expertise and experience of the financial director annually.

#### **Internal audit**

- 4.5 The Committee is responsible for overseeing the internal audit function, and in particular the Committee must -
  - 4.5.1 on an annual basis, ensure that the internal audit function is independent and has the necessary resources, budget, standing and authority within each Group Company to enable it to discharge its functions;
  - 4.5.2 be ultimately responsible for the appointment, performance assessment and/or dismissal of the Group Internal Audit Manager;
  - 4.5.3 approve the Group internal audit plan; and
  - 4.5.4 ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate, but at least every 5 years.

### **Financial risk management**

- 4.6 The Committee must consider -
  - 4.6.1 financial reporting risks;
  - 4.6.2 internal financial controls;
  - 4.6.3 fraud risks as it relates to financial reporting; and
  - 4.6.4 IT risks as it relates to financial reporting.

### **External audit**

- 4.7 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 -
  - 4.7.1 ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
  - 4.7.2 review the quality and effectiveness of the external audit process; and
  - 4.7.3 consider whether the audit firm, and where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE list of Auditors and their advisors as required by the JSE Limited Listings Requirements, if applicable.

### **5. Risk committee duties**

- 5.1 The Committee is also responsible for the management of risk in the Group and as such must –
  - 5.1.1 oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board;
  - 5.1.2 monitor implementation of the policy and plan for risk management;
  - 5.1.3 making recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
  - 5.1.4 oversee that the risk management plan is widely disseminated throughout the Group and integrated in the day-to-day activities of the Group Companies;
  - 5.1.5 ensure that risk management assessments are performed on a continuous basis;
  - 5.1.6 ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;

- 5.1.7 ensure that management considers and implements appropriate risk responses;
- 5.1.8 ensure that continuous risk monitoring by management takes place;
- 5.1.9 express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management;
- 5.1.10 review reporting concerning risk management that is to be included in the Group Integrated Report for it being timely, comprehensive and relevant.

## **6 Duties in respect of information technology**

- 6.1 The Committee shall be responsible for overseeing the IT governance of the Group and as such -
  - 6.1.1 oversee the management and minimization of IT and related business risks;
  - 6.1.2 ensure value delivery through delivery of promised benefits against the business and IT strategy, concentrating on optimising costs and proving the intrinsic value of IT;
  - 6.1.3 ensure that IT strategy is aligned with business strategy;
  - 6.1.4 measure and report on performance, particularly with regards to tracking project delivery and monitoring IT services;
  - 6.1.5 manage resources, ensuring the optimal investment, use and allocation of IT resources (people, applications, technology, facilities, data) in servicing the needs of the enterprise;
  - 6.1.6 consider the adequacy of the Group IT function and the effectiveness of the Group's IT control process.
  - 6.1.7 The Committee delegates this function to the Group Management Risk & IT Committee.

## **7. Authority**

- 7.1 The Committee has decision-making authority in regard to its duties and is accountable in this respect to both the Board and the shareholders of each Company as well as the board of directors of each Group Company which is not a Company. To this end the chairperson of the Committee must be present at all annual general meetings of each Company.
- 7.2 The Committee has the power to investigate any activity within the scope of this Charter.
- 7.3 The Committee, in the fulfillment of its duties, may call upon the chairpersons of any other Board committees, any of the executive directors, Group's prescribed officers, Company secretary or assurance providers to provide it with information subject to a Board approved process being followed.

- 7.4 The Committee has reasonable access to the records, facilities, employees and any other resources necessary of each Group Company to discharge its duties and responsibilities subject to a Board approved process being followed.
- 7.5 Save where otherwise provided in the Act or the Regulations, the Committee may form, and delegate authority to, subcommittees or employees or committees of employees of Group Companies and may delegate authority to one or more designated members of the Committee.
- 7.6 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the cost of the relevant Group Company, subject to a Board approved process being followed.

## **8. Meetings and Procedures**

### **8.1 Frequency**

- 8.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of two meetings per year.
- 8.1.2 Meetings in addition to those scheduled may, with the approval of the chairperson, be held at the request of the external auditor, the chief executive officer, chief financial officer, group internal audit manager or other members of senior management or at the instance of the Board.
- 8.1.3 The Committee must meet with internal and external auditors at least once a year without management being present.

### **8.2 Attendance**

- 8.2.1 The chief executive officer, chief financial officer, group internal audit manager, 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.
- 8.2.2 The Company secretary is the secretary to this Committee but may delegate this function.
- 8.2.3 If the chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairperson.

### **8.3 Agenda and meetings**

- 8.3.1 A detailed agenda, together with supporting documentation, must be circulated, as soon as possible prior to each meeting to the members of the Committee and other invitees.
- 8.3.2 Unless varied by this charter, meetings and proceedings of the Committee will be governed by the memorandum of incorporation and shareholders agreement of PGH I regulating the meetings and proceedings of directors.

8.4 **Quorum**

8.4.1 A quorum for meetings is the presence of a majority of members of the Committee.

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