

**USPLUS LIMITED**  
**(Reg No 2014/048709/07)**

**(“UsPlus”/ “the Company”)**

**AUDIT AND RISK COMMITTEE CHARTER**

**1. Constitution**

- 1.1. The Audit and Risk Committee (“the Committee”) is constituted as a statutory committee of the Company in terms of section 94(7) of the Companies Act No.71 of 2008 (“the Act”) and is specifically mandated to attend to the statutory duties provided for in section 94(7) of the Act as well as such other duties assigned to it by the board of directors (“the Board”) in terms of this charter.
- 1.2. The duties and responsibilities of the Committee, as set out in this document, are in addition to those duties and responsibilities that they have as members of the Company’s the Board.
- 1.3. These terms of reference shall be subject to the provisions of the Act, UsPlus’s Memorandum of Incorporation and any other applicable statutory or regulatory provisions, including the King Report on Corporate Governance for South Africa 2016 (“King IV”).
- 1.4. The Board hereby resolves to adopt these terms of reference of the Committee.

**2. Membership**

- 2.1. The Committee will consist of at least 3 (three) members to be elected at every annual general meeting of the Company by the shareholders on recommendation by the Board.
- 2.2. The members of the Committee must be suitably skilled and experienced independent non-executive directors.
- 2.3. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of:
  - Financial and sustainability reporting;
  - Internal financial controls;
  - External audit process;
  - Internal audit process;
  - Corporate law;
  - Risk management;
  - Sustainability issues;

- Information technology governance as it relates to integrated reporting; and
- Governance processes within the Company

and they should keep up to date with developments affecting the required skill-set.

- 2.4. The Board will elect the Chair of the Committee on an annual basis.
- 2.5. The Chair of the Committee must be an independent non-executive director.
- 2.6. The Chair of the Board may not be the Chair of the Committee.
- 2.7. If the Chair is absent from a meeting, the remaining members present shall elect one of their numbers to act as chair for that meeting.
- 2.8. A quorum shall be a majority of members present in person or *via* telecommunication facilities.
- 2.9. The Board shall fill vacancies on the Committee within 40 business days after the vacancy arises.

### **3. Independence**

- 3.1. The Committee will act independently and will be accountable to the Board and shareholders.
- 3.2. The functions of management will remain the responsibility of the executive directors, officers and other members of senior management. Such functions will not be assumed by the members of the Committee.

### **4. Attendance at meetings**

- 4.1. The chief executive officer, financial director, chief audit executive (if any), a representative from the external auditors and a representative from the internal auditors will be required to attend the meetings as invitees. No invitee will have the right to vote at any meeting.
- 4.2. Other Board members shall have the right of attendance, with the prior consent of the Chair of the Committee.
- 4.3. The company secretary shall be the secretary of the committee.
- 4.4. Committee members will 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 Chair or company secretary.

### **5. Frequency of meetings**

- 5.1 Meetings shall be held not less than once a year. These meetings should respectively be prior to the commencement of the annual external audit; prior to the Board's approval of the annual financial statements and interim results; and after the completion of the annual external audit.
- 5.2 The external auditors, any member of the Committee, the chief audit executive, the chief executive officer, the financial director, other members of senior management or the Board may

request meetings in addition to those scheduled if deemed necessary and a meeting will then be arranged in consultation with, and on approval by, the Chair of the Committee.

- 5.3 The Committee should meet with the internal and external auditors at least once a year without management being present.

## **6. Authority**

- 6.1. The Committee shall act as per the delegated authority of the Board recorded in these terms of reference and in accordance with its statutory duties.
- 6.2. The Chair of the Committee will be required to attend the Company's annual general meeting to answer relevant questions posed by shareholders. 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. On all responsibilities delegated to the Board outside of the statutory duties, the Committee will make recommendations for approval by the Board unless otherwise specified herein.
- 6.3. The Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee of the Company. All employees are instructed to co-operate with any request made by the Committee, subject to a Board approved process.
- 6.4. The Committee will have reasonable access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following the Board approved process.
- 6.5. The Committee may form, and delegate authority to subcommittees or to one or more designated members of the Committee.
- 6.6. The Committee is authorised by the Board to obtain independent outside legal or other independent professional advice (subject to a Board approved process being followed) and to secure the attendance of outsiders with relevant experience and expertise if deemed necessary.
- 6.7. The Company shall meet all expenses reasonably incurred by the Committee in the fulfilling of its duties, including the payment of a fee to Committee members as determined by the Board from time to time.

## **7. Duties and responsibilities**

The duties and responsibilities of the Committee, which shall be in respect of the Group (i.e. the Company and all its subsidiaries), shall be to:

### **7.1. External auditors, audit process and annual financial statements**

- 7.1.1. consider the appointment and/or termination of the external auditors, as well as the individual registered auditor, and to nominate such appointment to the shareholders in terms of section 90 of the Act, or consider a proposal from the Board for the filling of a

casual vacancy as provided for in section 91(3) of the Act, a registered auditor who is independent of the Group as and when required;

- 7.1.2. determine the annual audit fee and terms of engagement of the external auditors;
- 7.1.3. monitor and report on the independence of the external auditors in the annual financial statements and integrated report, as more fully provided for in section 94(8) of the Act;
- 7.1.4. review the quality and effectiveness of the external audit process annually;
- 7.1.5. ensure that the appointment of the external auditors complies with the provisions of the Act and any other applicable legislation;
- 7.1.6. consider and set, if appropriate and subject to relevant legislative requirements, mandatory term limits on the length of time the external auditors or audit partner may serve the Company and ensure a managed rotation process in respect of the audit partner after every 5 (five) years;
- 7.1.7. define a policy with regard to the nature and extent of non-audit services which the external auditors may provide, subject to the provisions of the Act, and ensuring proper disclosure of such services and related fees in the annual financial statements as required;
- 7.1.8. pre-approve any proposed contract with the external auditors for the provision of non-audit services to the Group;
- 7.1.9. discuss with the external auditor, before the annual audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- 7.1.10. ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as defined in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- 7.1.11. oversee integrated reporting, and in particular the Committee will:
  - 7.1.11.1. 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;
  - 7.1.11.2. review the 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;
  - 7.1.11.3. comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;

- 7.1.11.4. review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information.
  - 7.1.11.5. recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
  - 7.1.11.6. recommend the integrated report for approval by the Board;
  - 7.1.11.7. consider the frequency for issuing interim results;
  - 7.1.11.8. consider whether the external auditor should perform assurance procedures on the interim results;
  - 7.1.11.9. review the content of the summarised information for whether it provides a balanced view; and
  - 7.1.11.10. engage the external auditors to provide assurance on the summarised financial information.
- 7.1.12. approve a combined assurance model and ensure that it is applied to provide a coordinated approach to all assurance activities. In particular the Committee should -
- 7.1.12.1. ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and
  - 7.1.12.2. monitor the relationship between the external assurance providers and the company.
- 7.1.13. review the expertise, resources and experience of the Company's finance function, including that of the Financial Director, and disclose the results of the review in the integrated report;
- 7.1.14. discuss problems and reservations arising from the interim (if and when applicable) and final audits, and any matters incidental thereto, which the external auditors may wish to discuss (in the absence of management where necessary);
- 7.1.15. review any accounting or auditing concerns identified as a result of the internal or external audits;
- 7.1.16. review the external auditor's management letter and management's response, if available, and/or to consider the matters to be dealt with therein;
- 7.1.17. review the Company's statement on internal control systems prior to endorsement by the board.

## 7.2. Internal audit

- 7.2.1 ensure organisational policies and procedures are followed and monitor gaps in policy compliance.

## 7.3 Risk management and compliance

- 7.3.1. oversee financial reporting risks, internal financial controls, fraud risks (as they relate to financial reporting), IT risks (as they relate to financial reporting) and all other risks as they relate to the business of the Company;
- 7.3.2. oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board;
- 7.3.3. review and monitor the processes and procedures for risk identification, analysis and quantification;
- 7.3.4. review the processes implemented to monitor the on-going management of risks and ensure that continuous monitoring by management takes place;
- 7.3.5. review reports from internal audit on the effectiveness of the processes and procedures of risk management;
- 7.3.6. ensure that risk management assessments are performed on a continuous basis;
- 7.3.7. submit an annual report to the board on the effectiveness of the total risk management and assessment process and outcomes;
- 7.3.8. ensure that reporting on risk management is complete, timely, relevant, accurate and accessible;
- 7.3.9. make 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;
- 7.3.10. oversee that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company;
- 7.3.11. ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- 7.3.12. ensure that management considers and implements appropriate risk responses;
- 7.3.13. review the Group's compliance with legal and regulatory provisions, its memorandum of incorporation, code of ethics and the rules established by the board and any significant breaches thereof; and
- 7.3.14. approve the IT charter and monitor the Group's progress in this regard.

## **7.4. General**

- 7.4.1. give due consideration to King IV;
- 7.4.2. retain a copy of the current terms of reference of the Committee at the registered office of the Company and provide shareholders with a copy of same if requested;
- 7.4.3. receive and deal with any internal or external complaint relating to either accounting practices and internal audit of the Group or to the content or auditing of the financial statements or to any related matter; and
- 7.4.4. consider such other topics and fulfil such other duties as defined by the Board.

## **8. Reporting Procedure**

- 8.1. The Committee will establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan should ensure proper coverage of the matters laid out in the Committee's terms of reference: the more critical matters should be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. From this plan, the number, timing and length of meetings, and the agendas will be determined.
- 8.2. A detailed agenda, together with supporting documentation, will be circulated, at least one week prior to each meeting to the members of the Committee and, where applicable, other invited attendees.
- 8.3. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.
- 8.4. The minutes shall be completed as soon as possible after the meeting and circulated to the Chair for review thereof. The minutes will be formally approved by the Committee at its next scheduled meeting.
- 8.5. The secretary shall incorporate the approved minutes of meetings of the committee in the meeting files prepared for meetings of the board for noting purposes.
- 8.6. In addition, to the statutory report of the Committee, as required in terms of section 94(7)(f) of the Act, the Company shall disclose in its annual report whether or not the Committee has adopted these formal terms of reference and, if so, whether or not the Committee has satisfied its responsibilities for the year in compliance with its terms of reference.
- 8.7. Membership of the Committee and attendance at Committee meetings shall be disclosed in the Company's annual report.

## **9. Review and Assessment**

The Committee's activities and effectiveness should be assessed annually and reviewed with the Board.

**APPROVED BY THE COMMITTEE AT ITS MEETING ON 27 FEBRUARY 2020**

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**COMMITTEE CHAIR**

**APPROVED BY THE BOARD AT ITS MEETING ON 27 FEBRUARY 2020**

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**BOARD CHAIR**