
AUDIT COMMITTEE CHARTER

Version:	2.00
Document Type:	Policy
Author: Approver:	Company Secretary Board of Directors
Issuing Department:	Company Secretariat
Implementation date:	February 2018
Changes since last Version:	Second version

1. AUTHORITY, FORMATION AND PURPOSE

- 1.1 This Committee is constituted as a statutory committee of Huge Group Limited (**the Company**) and where applicable, its subsidiary companies (**the Group**), in respect of its statutory duties in terms of section 94(7) of the Companies Act 2008 (as amended) (**the Act**) and is a Committee of the Board of Directors of the Company (**the Board**).
- 1.2 The Committee has decision-making authority in respect of its statutory duties, and the Committee is accountable in this respect to the Board and the Company's shareholders.
- 1.3 The Committee also acts in terms of delegated authority in respect of any other duties and responsibilities assigned to it by the Board. To this end, the Committee must make recommendations for approval by the Board and is accountable to the Board.
- 1.4 This Charter is subject to the provisions of the Act, the Company's Memorandum of Incorporation (**Moi**) and any other applicable laws or regulations.

2. MEMBERSHIP

- 2.1 The Committee shall comprise at least three Directors. All the members of the Committee and the Chairman of the Committee shall be Independent Non-Executive Directors of the company. Each Committee Member shall satisfy the criteria for independence in terms of the Act and the King Report on Corporate Governance for South Africa 2016.
- 2.2 The Board Chairman is not eligible to be a member of the Committee or the Chairman thereof but may attend Committee meetings by invitation.
- 2.3 The Committee should include two Members who are also members of the Risk Committee.
- 2.4 Collectively, the Members of the Committee should at any particular time have necessary qualifications, skills and experience to execute their duties effectively.
- 2.5 The Members of the Committee shall be elected by the shareholders of the Company, on the recommendation of the Nomination Committee, at each Annual General Meeting of the Company. The Board shall fill vacancies on the

Committee as such vacancy arises and such appointments must be ratified by the shareholders of the Company at the subsequent Annual General Meeting.

- 2.6 Subject to clause 2.5 above, the Chairman of the Committee shall be elected by the Board and may be removed from that role by the Board.
- 2.7 The Members must keep up to date with key developments affecting their required skills set.
- 2.8 The Company Secretary of the Company will act the Committee Secretary.

3. ROLE, FUNCTIONS AND RESPONSIBILITIES OF THE COMMITTEE

3.1 Statutory duties in terms of section 94(7) of the Act

The Committee shall –

- 3.1.1 Nominate for appointment or re-appointment by the shareholders as the auditor of the Company, an external registered auditor who, in the opinion of the Committee, is independent of the Company;
- 3.1.2 Determine the fees to be paid to the external auditor and the auditor's terms of engagement;
- 3.1.3 Ensure that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of the auditors;
- 3.1.4 Determine, subject to the provisions of the Act, the nature and extent of any non-audit services that the external auditor may provide to the Company, or that the auditor must not provide to the Company or a related Company;
- 3.1.5 Pre-approve any proposed agreements with the external auditor for the provision of non-audit services to the Company. The Committee may delegate the pre-approval responsibility to the Chairman or another Member of the Committee in line with the agreed pre-approval policy and procedures. However, all decisions will be formally tabled for ratification at the next Committee meeting;

3.1.6 Regulatory disclosures

Prepare a report, to be included in the Annual Financial Statements of the Company, for the relevant financial year that:

- 3.1.6.1 describes how the Committee carries out its functions;
- 3.1.6.2 states whether the Committee is satisfied that the auditor was independent of the Company, including:
 - (i) the policies and controls in respect of non-audit services rendered by the external auditor;
 - (ii) the tenure of the external auditor, including the tenure of any auditor prior to a merger or acquisition;
 - (iii) the rotation of the designated external audit partner; and
 - (iv) significant changes in management which may affect the relationship between the external auditor and management;
- and
- 3.1.6.3 explains any significant matters that it has considered in respect of the Annual Financial Statements and how these matters were addressed;
- 3.1.6.4 comments, in any way that the Committee considers appropriate, on the quality of the external audit with reference to audit quality indicators;
- 3.1.6.5 comments, in any way that the Committee considers appropriate, on the effectiveness of the chief audit executive (where one has been appointed) and the internal audit functions;
- 3.1.6.6 comments, in any way that the Committee considers appropriate, on the efficacy of the design and implementation of the internal financial controls and any significant weaknesses that could result in material financial loss;
- 3.1.6.7 comments, in any way that the Committee considers appropriate, on the effectiveness of the Chief Financial Officer and the finance function; and

3.1.6.8 comments, in any way that the Committee considers appropriate, on the arrangements in place for combined assurance and its efficacy;

3.1.7 Make submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting.

3.1.8 Review the annual Group Budget prepared by Management and make recommendations to the Board in respect of its adoption.

3.1.9 Complaints

Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, in relation to:

3.1.9.1 the accounting practices and internal audit of the Company; or

3.1.9.2 the content or auditing of the Company's financial statements; or

3.1.9.3 the internal financial controls of the Company; or

3.1.9.4 any other related matter.

3.2 Assurance

3.2.1 Report to the Board on the appropriateness of the combined assurance model, its design and implementation, and:

3.2.1.1 Whether the various levels of assurance functions holistically support assurance objectives; and

3.2.1.2 Whether it adequately supports the integrity of the information relied upon for internal decision-making and external reporting.

3.3 Duties delegated to the Committee by the Board

3.3.1 The Committee shall meet separately with the independent auditors, at least once annually, to review any challenges arising during the course

of the auditors, as well as Management's responses to such issues, including any restrictions placed on the scope of the independent auditors' activities or access to requested information, and any significant disagreements with Management.

- 3.3.2 In order to assess the auditor's independence, the Committee shall review, on an annual basis, all relationships between the independent auditors and the Group, and shall take steps to ensure the regular rotation of certain lead audit partners as required by applicable laws and regulations.
- 3.3.3 The Committee shall discuss the annual audited financial statements of the Group with Management and the independent auditors, including the going concern status of each statutory entity.
- 3.3.4 The Committee shall review and recommend to the Board any reports to be distributed to shareholders in connection with the Group financial statements, including but not limited to review and recommendation in respect of:
- 3.3.4.1 The implementation of new systems;
 - 3.3.4.2 Significant adjustments resulting from the audit;
 - 3.3.4.3 Capital adequacy;
 - 3.3.4.4 Compliance with local and international accounting standards, compliance with stock exchange and legal requirements; and
 - 3.3.4.5 Special documents such as prospectuses and other offering documents, as and when prepared.
- 3.3.5 The Committee shall determine whether the independent auditors should review the half-yearly financial statements. In the case of an independent review, the report of the Committee and the report of the independent auditor shall be tabled at the Board meeting held to adopt such half yearly financial statements.
- 3.3.6 The Committee shall review and resolve disagreements between Management and the independent auditors regarding financial reporting.
- 3.3.7 While primary responsibility for the financial statements and disclosure rests with Management, and without detracting from its statutory duties, the Committee shall review:

-
-
- 3.3.7.1 Major issues concerning accounting principles and financial statements presentations, including any significant changes to the selection or application of accounting principles;
 - 3.3.7.2 Major issues regarding the adequacy of internal controls and steps taken in light of material control deficiencies;
 - 3.3.7.3 Analyses prepared by Management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements; and
 - 3.3.7.4 The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, including any significant ventures, investments or operations that are not subject to an independent audit, on the financial statements.
- 3.3.8 Prior to the filing of any audit report with the JSE Limited, the Committee shall discuss with the independent auditor, where appropriate:
- 3.3.8.1 All critical accounting policies and practices to be used;
 - 3.3.8.2 All alternative treatments of financial information discussed with Management within the International Financial Reporting Standards (IFRS); and
 - 3.3.8.3 All material, written communication between the independent auditor and Management, including but not limited to the independent auditor's proposed audit certificate, and the independent auditor's management letter and Management response.
- 3.3.9 The Committee shall meet separately with Management, the internal audit function and the independent auditors, on a regular basis to discuss all issues warranting Committee action or attention.
- 3.3.10 The Committee shall report regularly to the Board on any issues arising in connection with its oversight of the functions for which it is responsible. The agenda of each Board meeting shall provide an opportunity to the Chairman of the Committee to report orally to the

Board on any matters of importance, as well as the Committee's findings and recommended actions.

- 3.3.11 The Committee shall review disclosures made to it by the Chief Executive Officer and Chief Financial Officer in connection with the certifications required to be made in the integrated report and Annual Financial Statements, with regard to the accuracy and completeness of the financial statements contained in the integrated report, the Company's disclosure controls and procedures and the Company's internal control over financial reporting.
- 3.3.12 The Committee shall establish procedures for the hiring by the Company of employees or former employees of the independent auditors.
- 3.3.13 The Committee shall have the prerogative of instituting investigations into all matters which may signify that the accuracy or reliability of the financial reporting or the adequacy of the internal controls at the Company are in question.
- 3.3.14 Although the audit of the Annual Financial Statements of the Group is the responsibility of the independent auditors, the Committee shall ensure that the major activities, key results areas, critical functions and the financial risk exposures are adequately addressed. In particular, the Committee shall require the independent auditors to report, inter alia, on:
- 3.3.14.1 Their view of the financial and accounting systems and the application and control thereof;
 - 3.3.14.2 Any recommendations to improve the internal financial and/or accounting control, accounting practices or bases, or the reporting systems;
 - 3.3.14.3 Any fundamental transactions outside normal business;
 - 3.3.14.4 Any transactions of significance between the Group and its Directors or officers and their associates; and
 - 3.3.14.5 Any disagreements with Management regarding the contents or presentations of financial reports, as well as how agreement was reached. Any irreconcilable differences must be referred to the Committee for resolution.

3.3.15 Internal Audit

3.3.15.1 The Committee shall monitor and evaluate the effectiveness of any internal audit function in the Group.

3.3.15.2 In the event that the Board deems it necessary for Management to implement an internal audit department, the Committee shall oversee the development of an internal audit charter, the appointment of the head of internal audit and shall review and approve any internal audit plans proposed by the internal audit department.

3.3.16 The Committee shall review and approve or ratify any transaction submitted to the Committee between the Company and a related person (as defined by section 2(1)(a) to (c) of the Act) and which is required to be disclosed.

3.3.17 The Committee shall perform such other functions as assigned by law, regulation, the Mol and policies, or the Board.

3.3.18 The Committee shall assist the Board in making a statement on the going concern status of the Company after reviewing a documented assessment of the going concern status of the Company, prepared by Management.

3.3.19 The Committee shall be responsible for evaluating the significant judgments and reporting decisions affecting the integrated report made by Management, including changes in accounting policies, decisions requiring a major element of judgment and the clarity and completeness of the proposal financial and sustainability disclosures.

3.3.20 The Committee should be informed of any monitoring or enforcement actions against the Company and review the information on hand.

3.3.21 Information technology (IT):

3.3.21.1 The Committee shall ensure that the IT framework is in place and that the IT Charter and policies are established and implemented; and

3.3.21.2 The Committee shall ensure that an IT internal control framework is adopted and implemented and that the

Board receives an independent assurance on the effectiveness thereof.

4. COMMITTEE MEETINGS

- 4.1 The Committee shall meet at least once a quarter, provided that any other Member of the Committee, through the Chairman, may call a meeting at any other time. Non-Committee members may be invited to attend Committee meetings but shall not be entitled to vote at Committee meetings.
- 4.2 Notice of each meeting of the Committee, confirming the venue, time and date and enclosing an agenda of items to be discussed, shall be forwarded to each Member of the Committee at least five working days prior to the date of each meeting.
- 4.3 A quorum for meetings of the Committee shall be a majority of Members present in person or via telecommunication facilities. Non-Committee members in attendance at Committee meetings by invitation do not form part of the quorum of Committee meetings.
- 4.4 Suitably qualified persons may be invited to attend Committee meetings or be consulted by the Committee from time to time to render such specialist services as may be necessary to assist the Committee in its deliberations on any particular matter. No attendee who is not a Member of the Committee shall have a vote at meetings of the Committee, nor shall he or she form part of the quorum of the meeting.
- 4.5 Where the Chairman is not present within fifteen minutes of the time stipulated for the Committee meeting, the Committee Members present must elect one of them to chair that meeting.
- 4.6 A meeting of the Committee may be conducted by electronic communication and/or one or more Members may participate in a meeting of the Committee by electronic communication so long as the electronic communication facility employed ordinarily enables all persons participating in that meeting to communicate concurrently with each other, without an intermediary, and to participate effectively in the meeting.
- 4.7 Each Member of the Committee has one vote on a matter before the Committee and a majority of the votes cast on a resolution is sufficient to approve that resolution.

-
-
- 4.8 In the case of a tied vote, the Chairman may not cast a deciding vote, even if the Chairman did not initially have or cast a vote and the matter being voted fails.
- 4.9 A round robin resolution of Members shall be as valid and effectual as if it had been passed at a meeting of the Committee duly called and constituted, provided that each Member has received notice of the matter to be decided upon and that the majority of the Members have noted in favour of the matter. A round robin resolution may be executed in any number of counterparts and will have the same effect as if the signatures on the counterparts were on a single copy of the round robin resolution.
- 4.10 Minutes of meetings shall be taken by the Company Secretary and circulated to all the Members of the Committee within one month of the date of each meeting and may also, if the Chairman so decides, be circulated to other Members of the Board. Minutes must be formally approved by the Committee at its next meeting.
- 4.11 The Chairman of the Committee or failing him or her, a Member of the Committee, shall be present at each Annual General Meeting of the Company to answer questions concerning matters falling within the authority of the Committee.

5. CONDUCT OF COMMITTEE MEMBERS

Committee Members are expected to:

- 5.1 Act in the best interests of the Company and the Group as a whole, with good faith and integrity and adhere to all relevant legal standards of conduct;
- 5.2 Avoid conflicts of interest between their personal affairs and those of the company or, where unavoidable, disclose any such conflicts or potential conflicts;
- 5.3 Disclose any information they may be aware of that is material to the company and of which the Committee is not aware, unless such Member is bound by ethical or contractual obligations of non-disclosure;
- 5.4 Keep all information learned by them, in their capacity as Committee Members, strictly confidential; and
- 5.5 Exhibit the degree of care, skill and diligence that may reasonably be expected of a person carrying out the same functions in relation to the Company as those carried out by that person, and having the general knowledge, skill and experience of that person.

6. NO PERSONAL LIABILITY ARISING FROM APPOINTMENT

Subject to the above provisions and any relevant legislation, the Members of the Committee shall not attract any personal liability arising from their appointment, and the Company shall indemnify Members of the Committee against all and any claims howsoever arising.

7. COMMITTEE EXPENSES

The Company will pay all expenses reasonably incurred by the Committee in executing its duties. The Committee must be provided with adequate resources in order to properly discharge its duties.

8. REMUNERATION

8.1 Having regard to the functions performed by the Members of Committee, in addition to their functions as Directors of the Board and in relation to the activities of the Committee, Members of the Committee shall be paid such special remuneration in respect of their appointment as shall be approved by the Board, on the recommendation of the Remuneration Committee, and subject to the approval of shareholders at the Annual General Meeting of the Company held each year.

8.2 The Company shall pay the professional membership fees of those Members registered with a professional institution or body, such as may be relevant to the Member performing his or her functions on the Board.

9. GENERAL

9.1 The Committee, in carrying out its tasks under this Charter, may obtain such outside or other independent professional advice as it considers necessary to carry out its duties.

9.2 The Committee shall review and reassess the adequacy of this Charter periodically and recommend any changes to the Board for approval.

- 9.3 The Committee shall review its own performance on an annual basis and assess the efficacy with which it has discharged its duties in terms of this Charter and report its findings to the Board.
- 9.4 The Committee has reasonable access to the information, including records of the Company's property, employees, facilities and other resources, as well as to that of the Group, as may be necessary to discharge its duties and responsibilities. The Committee shall follow any relevant Board approved process in discharging any of its duties and responsibilities.