

# Audit and Risk Committee Charter

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## **1. Introduction**

The Audit and Risk Committee (the “Committee”) is constituted as a statutory committee of KAP Ltd (the “Company” or “KAP”) with, amongst others, the statutory duties set out in section 94(7) of the Companies Act No 71 of 2008 (the “Companies Act”) and as a committee of the board of directors of KAP (the “Board”) in respect of all such other duties as may be assigned to it by the Board.

The duties and responsibilities of the members of the Committee, as set out in this charter, are in addition to those duties and responsibilities that they have as members of the Board. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members with regard to their fiduciary duties and responsibilities, and both Committee and Board members must continue to exercise due care and judgment in accordance with their legal obligations.

The application of this charter is subject to the provisions of the Companies Act, the Company’s memorandum of incorporation, the listings requirements of the JSE Ltd (the “JSE”) (as may be applicable), and to any other applicable laws and regulations or codes of good practice, including but not limited to the King IV Report on Corporate Governance for South Africa, 2016 (“King IV”).

*Note: references to “the Group” shall include all companies in the KAP group of companies.*

## **2. Composition of the Committee**

The Committee shall consist of at least three members, all of whom shall be independent, non-executive directors of the Company and shall have the required knowledge, financial literacy, skills and experience, as set out in section 94(5) of the Companies Act and regulation 42 of the Companies Regulations, 2011, in order to serve on an audit committee of a public, listed company and execute their duties effectively. The names of members to be elected or re-elected, as the case may be, to the Committee shall be recommended to the Board by the KAP nomination committee and submitted for approval by shareholders at each general or annual general meeting of the Company.

Apart from the regulatory onus, the Board believes that the diversity factors and qualifications as defined herein, make prudent business sense and are essential for composing a balanced Committee that is optimally equipped to provide independent oversight of, amongst others, the effectiveness of the Group’s assurance functions and services; the integrity of the annual financial statements and other external reports issued by the Group, as applicable; and risk governance.

The chairperson of the Board is not eligible to be the chairperson, or a member, of the Committee but may attend Committee meetings by invitation.

The Committee shall be chaired by an independent, non-executive director. Having due regard to the recommendations of the KAP nomination committee, the Board shall elect the chairperson of the Committee from the ranks of the Committee.

The Board must fill vacancies on the Committee within 40 business days after any vacancy arises, but appointment of additional members to the Committee may only be effected by shareholders at a general or annual general meeting of the Company.

The Committee members are required to keep up-to-date with developments affecting the required skill-set of a person serving on an audit and risk committee of a listed company in South Africa.

## **3. Fees**

Fees payable to Committee members for service on the Committee shall be proposed by the Board, subject to the approval thereof by shareholders of the Company being obtained prior to the implementation of such proposals.

The chairperson of the Committee shall be entitled to an additional fee for services rendered as chairperson.

#### **4. Role**

The Committee was established primarily to assist the Board in overseeing:

- the quality and integrity of the Company's integrated reporting and public announcements in respect of the financial results;
- the qualifications and independence of the internal and external auditors;
- the scope and effectiveness of the external audit functions;
- the scope and effectiveness of the internal audit function;
- the adequacy and effectiveness of internal controls, risk management and governance; and
- risk management and ensuring its effectiveness.

The Committee has an independent role, with accountability to both the Board and shareholders. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

#### **5. Responsibilities**

The Committee has the following specific responsibilities, which must be undertaken in compliance with all applicable legislation, regulations and accounting practices, as amended/introduced from time to time, and must ensure the appropriate application by the Committee of the relevant principles of King IV.

##### *5.1 Integrated reporting*

The Committee shall oversee integrated reporting (which includes annual financial statements), and in particular the Committee must:

- 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, significant judgments and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
- review the annual financial statements of the Company and consolidated Group financial statements and reports to shareholders, the preliminary and interim reports, and any announcements regarding the Company's results or other financial information to be made public, focused particularly on:
  - the basis on which the Company has been determined as a going concern;
  - significant adjustments and the appropriateness of such adjustments;
  - changes in accounting policies and practices;
  - compliance with applicable legal and regulatory requirements, accounting standards, financial conditions of loan covenants; and
  - tax and litigation matters with an impact on financial results.
- consider whether the external auditor should provide assurance on the interim results and engage the external auditors to provide assurance on the summarised financial information for the final results;
- consider the JSE's pro-active monitoring reports (and other reports) and ensure that the Company has taken appropriate action to apply the findings and/or other recommendations in order to improve disclosures where required;
- review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- ensure that assurance is provided on material sustainability issues and approve the scope and engagement of external assurance providers, as appropriate;
- recommend the annual financial statements and integrated report to the Board for approval; and
- review all documents that contain material financial information or other information, which could impact materially on the financial results or performance of the Company, such as circulars and prospectuses.

## 5.2 Combined assurance

The Committee shall ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

- ensure that the combined assurance received is appropriate to address all the significant risks facing the Company;
- ensure the independence of the external service providers appointed to provide assurance;
- monitor the relationship between the external assurance providers, the internal assurance providers and the Company;
- review the co-operation and co-ordination between the internal and external audit functions and co-ordinate the internal audit plan with external auditors to avoid unnecessary duplication of work;
- review the treatment of complaints received regarding accounting matters and internal accounting controls, internal audit and auditing matters, the content of the financial statements, or potential violations of law relating to matters within the mandate of the Committee; and
- review any confidential tip-offs by employees of the Group and/or third parties relating to concerns regarding questionable accounting or auditing matters and potential violations of law relating to matters within the mandate of the Committee.

## 5.3 Internal audit

The Committee is responsible for overseeing and monitoring the effective functioning of the internal audit function, and in particular the Committee must:

- appoint and assess the performance of the outsourced internal audit service provider and such person nominated by the service provider as its engagement lead partner fulfilling the role of chief audit executive (“CAE”);
- review and approve the internal audit charter and review the internal audit function’s compliance therewith;
- review and approve the internal audit plan as well as the fee;
- assess reports from internal audit on the effectiveness of the Group’s systems of internal control, review the findings, significant matters and conclusions reported by internal audit and consider the adequacy of any corrective action proposed and taken in response to significant internal audit findings;
- review significant differences of opinion between management and the internal audit function; and
- annually assess the independence and effectiveness of the internal audit function including the adequacy of available internal audit resources and 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 five years.

## 5.4 External audit

The Committee will:

- nominate the external auditor for appointment by the shareholders subject to applicable laws and regulations;
- review and approve the auditor engagement letter, the terms, nature and scope of the audit function and the audit fee;
- evaluate the independence and performance of the external auditor and whether any non-audit services rendered by such auditor substantively impair its independence;
- consider any accounting treatment, significant unusual transactions or accounting judgements, that could be contentious and obtain assurance from the external auditor that adequate accounting records are being maintained;
- approve a policy for non-audit services provided by the external auditor and pre-approve all permissible non-audit services, in line with approved thresholds, to be provided by external audit, and where such services are to be rendered to the Company;

- ensure that there is a process in place for the Committee to be informed of any “Reportable Irregularities” (as identified in the Auditing Profession Act No 26 of 2005) identified and reported by the external auditor;
- review annual, or more frequently as the Committee considers appropriate, the quality and effectiveness of the external audit process. A report must be provided by the external auditor describing the external auditor’s internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review of the external auditor, or by any inquiry, review or investigation by governmental, professional or other regulatory authorities, within the preceding five years, in respect of independent audit carried out by the external auditor, and any steps taken to deal with these issues;
- consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of external auditor, are accredited as such on the JSE’s list of auditors and their advisors as required by the JSE listing requirements; and
- monitor the mandatory auditor rotation cycle and take timely action to replace the audit firm when required in terms of applicable legislation.

### *5.5 Risk management*

The Committee is responsible for ensuring effective risk management aimed to enhance the Company’s ability to achieve its strategic objectives, and will:

- oversee the development and review of a policy and framework for risk management processes to recommend to the Board for approval;
- oversee the development and annual review of the Group’s risk profile to recommend to the Board for approval;
- recommend to the Board the levels of tolerance and appetite and monitor that risks are managed within the levels of tolerance and appetite as approved by the Board;
- approve a suitable risk management strategy and ensure the effective monitoring of risks by management and that potential opportunities are considered as appropriate;
- ensure that the risk framework and methodologies are implemented to increase the possibility of anticipating unpredictable risks and consider the risk environment from time to time, as deemed appropriate and based on materiality and changes in the environment in which the Group operates;
- ensure that management considers and implements appropriate risk responses and obtain assurance from management in respect of the adequacy and effectiveness of internal controls;
- oversee that the risk policy, framework and strategy are widely disseminated throughout the Group by management and integrated in the culture and day-to-day activities of the Group.
- monitor material contingent liabilities, litigation and the management of fraud risks and other illegal behaviour, and ensure that appropriate processes relating to fraud awareness, fraud detection and forensic auditing are implemented by management;
- review and assess the appropriateness and adequacy of the Group’s insurance cover;
- assist the Board in carrying out its information and technology responsibilities by ensuring the ethical and responsible use of technology and information and compliance with relevant laws and to ensure an appropriate control environment and management of material information and technology risks; and
- express the Committee’s formal opinion to the Board on the effectiveness of the system and process of risk management.

### *5.6 Compliance*

The Committee is responsible for ensuring ongoing oversight and monitoring of compliance and the compliance effectiveness within the Group. In this regard, the Committee must:

- oversee the compliance monitoring arrangements for governing and managing compliance;
- review the identification of material legislation applicable to the Group and key areas of focus;

- review material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, whether imposed on the Group or on members of the Board or officers; and
- consider reports provided by management regarding compliance with legal and regulatory requirements as well as litigation and other legal matters, to ensure that all matters that may potentially have a material impact on the Group have been reported to the Board.

#### *5.7 Finance function and chief financial officer*

The Committee shall annually review the expertise, resources and experience and effectiveness of the Company's finance function and report the results of the review.

The Committee shall annually review and approve the materiality framework and shall review and approve the Group materiality levels bi-annually.

The Committee shall also consider and satisfy itself of the suitability of the expertise and experience of the KAP chief financial officer (the "CFO") every year.

#### *5.8 Reporting*

At the first Board meeting following any Committee meeting, the chairperson of the Committee shall provide feedback to the Board, which feedback may be in verbal form, on the proceedings and matters reviewed by the Committee at its most recent meeting. The Committee shall make submissions to the Board on any matter comprising the Company's accounting policies, financial control records and reporting.

The Committee shall annually insert in the financial statements of the Company and where required a report:

- describing how the Committee carried out its duties;
- stating whether the Committee is satisfied that the external auditor is independent of the Company and its views on the quality of the external audit;
- significant matters that the Committee has considered in relation to the annual financial statements and how these were addressed by the Committee;
- commenting in any way the Committee considers appropriate on the financial statements and the accounting practices; and
- stating whether the internal financial controls are effective or not, and in the latter case, how these were addressed by the Committee.

In addition, the Committee shall ensure sufficient disclosures are provided as required by the Companies Act and the JSE listings requirements and as recommended and deemed appropriate in terms of King IV.

#### *5.9 Other*

The Committee shall perform such other oversight functions as may be determined by the Board and/or required by applicable laws or codes or best-practice.

### **6. Authority**

The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the Board and the Company's shareholders. To this end, the chairperson of the Committee should be present at all annual general meetings of the Company. On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.

The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in this charter. It has the power to investigate any activity within the scope of its terms of reference, as detailed in this charter.

The Committee, in the fulfilment of its duties, may call upon the chairpersons of the other Board committees, any of the executive directors, company officers, company secretary or assurance providers to provide it with information, subject to approval by the chairperson of the Board, where necessary.

The Committee shall have reasonable access to the Company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities, subject to approval by the chairperson of the Board, where necessary.

The Committee may form, and delegate authority to, sub-committees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent, outside, professional advice to assist with the execution of its duties, at the Company's cost, subject to approval by the chairperson of the Board.

The Committee may co-opt any individual or entity to assist it with fulfilling its obligations. Co-opted members shall not have decision-making or voting powers and shall act merely in an advisory role and make recommendations.

## **7. Meeting and Procedures**

### *7.1 Frequency of meetings and use of electronic media*

- The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in this charter, but subject to a minimum of four meetings per annum.
- A meeting may be conducted by way of electronic media such as telephone or video conferencing, which shall enable all members participating to form a quorum.
- Meetings, in addition to those scheduled, may, with approval of the chairperson of the Committee, be held at the request of the external auditor, the KAP chief executive officer (the "CEO"), CFO, CAE or at the instance of the Board.
- The Committee should invite the internal and external auditors to meet at least once a year without management being present; with this item to form part of the standard agenda for Committee meetings.

### *7.2 Attendance*

- The CEO, CFO, CAE, 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 may not vote.
- The company secretary of the Company shall be the secretary to this Committee. In his/her absence, the Committee may appoint any person to act as scribe and fulfil the duties of the company secretary for the time being.
- If the nominated chairperson of the Committee is absent from a meeting, the members present may elect one of the members present to act as chairperson for that meeting.

### *7.3 Agenda and minutes*

- The Committee must have an annual work plan to ensure that all relevant matters are discussed and obligations are discharged. Any other critical matters will need to be attended to as and when required.
- A detailed agenda, together with supporting documentation, must be circulated to the members of the Committee and to such invitees, as appropriate, prior to each meeting, so as to allow members and invitees adequate time for review and preparation for meetings.



- The minutes must be completed as soon as possible after each meeting and circulated to the members of the Committee for review. The minutes must be presented for formal approval by the Committee at its next scheduled meeting.
- In the event that minutes of any meeting cannot be completed in time for reporting at the next Board meeting, the chairperson of the Committee shall report verbally to such meeting on the matters considered by the Committee.
- Once approved by members and signed by the chairperson of the Committee, the minutes of that meeting shall serve as proof of the correctness and accuracy of the proceedings that had taken place at that particular meeting.

#### 7.4 Quorum

A representative quorum for meetings shall be a majority of members present. Individuals in attendance at Committee meetings by invitation may participate in discussions but invitees shall not form a part of the quorum for Committee meetings.

#### 7.5 Decisions/voting

- Decisions will be made by a majority of votes.
- Invitees shall not be entitled to vote.
- Decisions may be taken by way of written resolutions, in accordance with the processes, procedures and requirements as set out in the Companies Act.

### 8. Divisional Committees

The Committee may establish divisional sub-committees (“Divisional Sub-committees”) on a voluntary basis to assist the Committee in fulfilling its duties and obligations.

Save as may have been specifically defined differently in the terms of reference (if any) of any Divisional Sub-committee, the operation, duties, meetings, procedures and other arrangements of each Divisional Sub-committee established by the Committee, shall be governed, *mutatis mutandis* and to the extent applicable and practicable, by the relevant provisions of this charter, subject to any restriction, liberty or variation as set out in this paragraph 8.

The Divisional Sub-committees shall not have any decision-making powers and shall be accountable, and make recommendations, to the Committee and/or the relevant divisional statutory or divisional management board, as the case may be. Being voluntary fora, the Divisional Sub-committees shall not have formal responsibility or accountability relating to the prescripts and statutory duties of audit committees as set out in applicable laws, which responsibility and accountability remain that of the Committee.

The chairperson of each Divisional Sub-committee shall provide feedback to the relevant divisional board, and/or to the Committee, on the proceedings and matters reviewed by the Divisional Sub-committee at its most recent meeting. To this end, and immediately after each Divisional Sub-committee meeting, the draft minutes of the Divisional Sub-committee meeting must be incorporated into the papers of the first subsequent Committee meeting.

The CEO and CFO shall be members of each Divisional Sub-committee, together with the relevant divisional chief executive officer and divisional chief financial officer of each division, as well as such other members as the CEO may determine from time to time, but there shall be no obligation to appoint non-executive or independent members, or fill vacancies within a statutorily regulated time period.

The chairperson of each Divisional Sub-committee may extend invitations to any other person to attend meetings of that Divisional Sub-committee.

The executive members of the Divisional Sub-committees shall not be entitled to any remuneration for their services rendered.

## **9. Performance Review**

An annual evaluation of the effectiveness of the Committee shall be performed in accordance with the recommended practices of King IV. The results of such performance review shall be communicated to the Board and the Committee and a high-level summary of the outcomes shall be disclosed in the Company's corporate governance report.

## **10. Approval of the Charter**

This charter was approved on 23 May 2023.

**Patrick Quarmby**  
**Chairperson of the Board**