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**Stenprop Limited  
(the “Company”)**

**Terms of reference for the Audit and Risk Committee**

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## 1 ROLE AND CONSTITUTION

- 1.1 The Audit and Risk Committee (the "**Committee**") is a committee of the board of directors of Stenprop Limited (the "**Board**").
- 1.2 The overall objective of the Committee is to assist the directors to discharge their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and internal and financial control processes, the preparation of materially accurate financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards, and the oversight of the external and internal audit appointments and functions.
- 1.3 The Committee shall have oversight of the Company's group (the "**Group**") as a whole and, unless required by regulation, undertakes to perform its duties on behalf of each member of the Group.
- 1.4 The Committee, in carrying out its duties under these terms of reference, will have due regard to legislation as well as the principles of governance and code of best practice as contained in the King Report on Corporate Governance for South Africa 2016 (King IV), as the same may be incorporated into the JSE Listings Requirements, any additional provisions set out in the JSE Listings Requirements, the UK Corporate Governance Code (as it applies to smaller companies) and other legislation applicable to the Company and its subsidiaries from time to time.

## 2 COMPOSITION OF THE COMMITTEE

- 2.1 The Committee shall consist of at least three members appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chairperson of the Committee. The members of the Committee shall be independent non-executive directors. The chairperson of the Board may serve on the Committee (but shall not chair the Committee) if he or she was considered independent on appointment as chairperson.
- 2.2 At least one member of the Committee should have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies. The members of the Committee should collectively have the necessary financial literacy, skills and experience to execute their duties effectively.
- 2.3 The Board shall appoint a chairperson to the Committee from the members of the Committee. In the absence of a Committee chairperson, the remaining Committee members present shall elect one of themselves as chairperson.
- 2.4 Appointments to the Committee shall be for a period of up to three years, which may be extended by no more than two additional periods of up to three years, provided the members continue to be independent.
- 2.5 The Company secretary, or his or her nominee, shall be the secretary of the Committee and shall ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration of issues.

## 3 RESPONSIBILITIES

### 3.1 External Audit and Auditors

The Committee will:

- consider and make recommendations to the Board, to be put to shareholders for approval at the Company's annual general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. If the external auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- negotiate for recommendation to the Board the fees and terms of engagement of the external auditor;
- ensure that the appointment of the external auditor complies with relevant legislation and regulations applicable to the Company;
- oversee the selection process for the appointment of the external auditor and further ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- oversee the tenure and rotation of the external auditor;
- review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement and makes provision for effectively addressing the critical risk areas in the business;
- determine the nature and extent of any non-audit services which the auditor may provide to avoid any threat to auditor objectivity and independence;
- pre-approve any proposed contract with the auditor for the provision of non-audit services;
- meet with the external auditor not more than a month before the Board meets to approve the financial statements in order to consider matters which appear to the external auditor or the Committee to be of importance and relevant to the proposed financial statements and to the affairs of the Company generally; the Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- provide an open avenue of communication between the external auditor, the Board and the internal audit function;
- review the findings of the audit with the external auditor; this shall include but is not limited to the following:
  - a discussion of any major issues which arose during the audit;
  - key accounting and audit judgments;
  - errors identified during the audit; and
  - the effectiveness of the audit;
- review any representation letters requested by the external auditor before they are signed by management;
- review the management letter and management's response to the external auditor's findings and recommendations;

- obtain assurance from the external auditor that adequate accounting records are being maintained;
- assess annually the external auditor's independence and objectivity and the effectiveness of the audit process, taking into account relevant professional, statutory and regulatory requirements, including the guidance on the rotation of the audit partner and staff; and
- 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 Listings Requirements.

### 3.2 Financial Reporting

3.2.1 The Committee will examine and review and monitor the integrity of the annual financial statements, the interim and preliminary announcements, the accompanying reports to shareholders and any other announcements regarding the Company's results or other financial information to be made public, prior to submission and approval by the Board.

3.2.2 The Committee will focus on the review of:

- the application of significant accounting policies adopted and any changes to them;
- whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor and the financial statements;
- the methods used to account for significant or unusual transactions where difference approaches are possible;
- the basis on which the Company has been determined a going concern;
- capital adequacy;
- compliance with applicable accounting standards, JSE Listings Requirements and other applicable legal and regulatory requirements;
- whether the integrated annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy and whether it informs the Board's statement in the integrated annual report on these matters that is required under the UK Corporate Governance Code; and
- the directors' statement to be included in the annual financial statements.

3.2.3 The Committee oversees integrated reporting, and in particular the Committee must:

- comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls; and
- review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;

3.2.4 If the Committee is not satisfied with any aspect of the financial reporting procedures or the proposed

financial reporting by the Company, it shall report its views to the Board.

3.2.5 Ensure that the Company has established appropriate financial reporting procedures and that these procedures are operating effectively.

### 3.3 Internal Control and Risk Management Systems

The Committee shall:

- keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- review and approve the statements to be included in the integrated annual report concerning internal control, risk management and the viability statement;
- review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters; the Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate following up action;
- review the company's procedures for detecting fraud;
- review the company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- oversee the development and annual review of a policy for risk management which gives effect to the Company's strategic plans and recommend such policy for approval to the Board;
- make recommendations for approval to the Board concerning the levels of risk tolerance and appetite that the Company is willing to take in achieving its strategic plans;
- design and implement appropriate risk responses and monitor such responses to ensure that risks are managed within the Board's approved levels of tolerance and appetite;
- oversee the process and progress of integrating and embedding the risk management policy throughout the Group as well as how it is integrated into the day-to-day business activities and culture of the Group by management; and
- identify and analyse current and potential future risks and opportunities and ensure that relevant risk and process information is communicated to the Board in a timely manner.

### 3.4 Internal Audit

3.4.1 It is noted that the Board has decided not to make use of an internal audit function but rather to make use of the external audit service provider to perform audit assurance work, after satisfying itself that the independence of the external auditors would not be compromised as a result. All the provisions of these terms of reference relating to internal audit shall apply, mutatis mutandis, to the extended assurance work of the external auditor. The independence of the external auditors in light of the audit assurance work, as well as the need for the appointment of an internal auditor, will be reviewed by the Committee and the Board at least once a year.

3.4.2 The role of the Committee will include:

- confirming and ensuring the independence and standing of the internal audit function;
- monitoring and reviewing the effectiveness of the internal audit function;
- reviewing the effectiveness of the Company's systems of internal control, including internal financial control and maintaining adequate and effective internal control systems;
- being responsible for the appointment, performance assessment and/or dismissal or re-assignment of the head of the internal audit function or the internal audit service provider (as applicable);
- satisfying itself that the internal audit plan makes provision for effectively addressing the key risks of the business;
- reviewing and approving the internal audit function's mandate and the internal audit charter and ensuring the charter is appropriate for the current needs of the business;
- reviewing the internal audit function's compliance with its mandate as approved by the Committee;
- considering and reviewing with management and the internal auditors, significant findings during the year and management's responses thereto in relation to reliable reporting, corporate governance and adequate and effective internal control;
- ensuring that the internal audit function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform its duties in accordance with the appropriate professional standards for internal auditors;
- monitoring and evaluating the performance of the internal audit function in terms of the Company's risk management system and the work of compliance, finance and the external auditor;
- meeting the head of the internal audit function or the internal audit service provider (as applicable) at least once a year, without the presence of management, to discuss the effectiveness of the function and any issues arising from the internal audits carried out; and
- ensuring that the head of the internal audit function or the internal audit service provider (as applicable) has unrestricted access to the chairperson of the Committee and the chairperson of the Board.

### 3.5 Other matters

#### 3.5.1 The Committee shall:

- give due consideration to all applicable legal and regulatory requirements, in particular to the extent that such requirements may have an impact on the Company's financial statements;
- establish procedures to receive and deal appropriately with any complaints received by the Company regarding accounting practices and/or the internal audit of the Company or to the content or auditing of its financial statements, or to any related matter;
- ensure that a combined assurance model is applied to enable an effective control environment, support the integrity of information used for decision-making by management, the Board and its

committees, and support the integrity of the Company's external reports; and

- perform other functions as may be determined by the Board from time to time.

#### 3.5.2 Further, the Committee shall:

- review the expertise, resources and experience of the Company's finance function;
- consider and satisfy itself of the suitability of the expertise and experience of the Company's chief financial officer each year; and
- disclose the results in the annual integrated report.

## 4 AUTHORITY OF THE COMMITTEE AND RESOURCES AVAILABLE

The Committee is authorised to:

- have access to all information, including records, property and personnel of the Company, and be provided with adequate resources in order to fulfil its responsibilities;
- investigate any activity within its terms of reference;
- require other employees of the Company to attend meetings, or parts of meetings, of the Committee;
- obtain independent legal or other independent professional advice, at the Company's expense, to assist it with the performance of any of its functions, subject to a board-approved process;
- instruct independent professional advisers to attend any Committee meeting if it considers this necessary or appropriate; and
- delegate its authority and duties to sub-committees or individual members of the Committee as it deems appropriate, provided it is not precluded by legal or regulatory requirements from doing so.

## 5 QUORUM AND VOTING ARRANGEMENTS

- 5.1 The quorum necessary for the transaction of business is a majority of members.
- 5.2 Each member of the Committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the Committee.
- 5.3 If a matter that is considered by the Committee is one where a member of the Committee, either directly or indirectly, has a personal interest, that member shall not be permitted to vote at the meeting.

## 6 MEETINGS

- 6.1 Meetings of the Committee will be held as frequently as the Committee considers appropriate but will normally meet not less than three times a year.
- 6.2 Outside of the formal meeting programme, the Committee chairperson will maintain a dialogue with key individuals involved in the Company's governance, including the chief executive, the chief financial

officer ("CFO"), the external audit lead partner and the head of the internal audit function or the internal audit service provider (as applicable).

- 6.3 The Board or any member thereof (including members of the Committee), the external auditors and the head of the internal audit function or the internal audit service provider (as applicable) may call further meetings via the Company secretary.
- 6.4 Reasonable notice of meetings confirming the venue, time and date, together with an agenda of items to be discussed and supporting documents, shall be forwarded in a timely manner to each Committee member and any other person invited to attend the meeting.
- 6.5 The CFO, other members of senior management and the external auditor shall have unrestricted access to the chairperson and any other member of the Committee as is required in relation to any matter falling within the remit of the Committee.
- 6.6 The CFO, other members of the Board, representatives from the external auditors and representatives from the finance function may be invited to attend all or part of any Committee meeting as and when appropriate. The Company's external auditors may be required to attend Committee meetings, but not in the presence of any of the executive directors of the Company, with a view to consulting with the Committee. No invited attendee shall have a vote at meetings of the Committee.

## **7 MINUTES OF MEETINGS**

- 7.1 The proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance shall be minuted.
- 7.2 The minutes of all meetings of the Committee, or summaries thereof, shall be submitted to the Board at the immediately following Board meeting. If this is not practical, the chairperson of the Committee shall report verbally to the Board on any matter of importance as well as on the Committee's findings and recommendations and written minutes shall be submitted to the Board at the next Board meeting.

## **8 REPORTING AND ACCOUNTABILITY**

- 8.1 The chairperson of the Committee shall report formally to the Board on its proceedings after each meeting on all matters within its responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. The report shall include:
  - the significant issues that it had considered in relation to the financial statements and how these were addressed;
  - its assessment of the effectiveness of the external audit process and its recommendations on the appointment/reappointment of the external auditor; and
  - any other issues on which the Board has requested the Committee's opinion.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The chairperson (or, in his/her absence, an alternate member) of the Committee shall attend the Company's annual general meeting to answer questions, through the chairperson of the Board, on the Committee's activities and its responsibilities.



8.4 The Committee shall compile a report to shareholders on its activities to be included in the Company's integrated annual report. Such report shall include:

- describing how the Committee carried out its functions;
- stating whether the Committee is satisfied that the auditor was independent of the Company;
- commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal and financial controls of the Company, including explaining how the Committee has addressed the effectiveness of the external and internal audit process, the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed having regard to matters communicated to it by the auditor; and
- all other information requirements set out in the UK Corporate Governance Code as it applies to "smaller companies" (or an explanation as to why such information has not been included).

8.5 In the compiling the reports referred to in paragraphs 8.1 and 8.4, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the integrated annual report and accounts but could provide cross-references to that information.

## **9 GENERAL**

9.1 The Committee shall be provided with appropriate and timely training, both in the form of an induction program for new members and on an on-going basis for all members.

9.2 The Committee should arrange for periodic review of its own performance and that of its members and, at least once a year, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval.

9.3 The Board must perform an evaluation of the effectiveness of the Committee every year.

## **10 APPROVAL OF THESE TERMS OF REFERENCE**

These terms of reference were approved by the Committee on 5 June 2018 and by the Board on 6 June 2018.