



HOMECHOICE INTERNATIONAL PLC AUDIT AND RISK COMMITTEE CHARTER Review 12 May 2017

1. Purpose

- 1.1 The audit and risk committee will assist the board in fulfilling its oversight responsibilities of HomeChoice International P.L.C and all of its subsidiary companies, as per requests from these subsidiary companies.
- 1.2 The audit and risk committee will ensure the integrity of integrated reporting and review the effectiveness of the financial reporting process, the system of internal control and management of financial risks, the assurance process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct
- 1.3 In performing its duties, the committee will maintain effective working relationships with the board of directors, management, and the internal and external assurance providers
- 1.4 To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the company's business, operations and risks

2. Authority

- 2.1 To audit and risk committee is authorised to execute its statutory obligations in terms of King III. The audit and risk committee is a separate statutory committee appointed by the shareholders, however still forms part of a unitary board. If differences of opinion arise between the audit and risk committee and the board where the audit and risk committee's statutory functions are concerned, the audit and risk committee's decision will prevail.
- 2.2 The board authorises the audit and risk committee, within the scope of its responsibilities, to seek any information it requires from:
 - 2.2.1 Any employee (and all employees are directed to co-operate with any request made by the audit and risk committee)
 - 2.2.2 External parties
 - 2.2.3 Specialists or consultants, in order to conduct investigations into matters within the committee's scope of responsibilities
 - 2.2.4 Ensure the attendance of company officers at meetings as appropriate.

3. Composition

3.1 Membership

- 3.1.1 The board of directors must present the shareholders with suitable candidates for election or re-election as audit and risk committee members for the following financial year
- 3.1.2 The audit and risk committee should consist of at least three members, all of whom must be independent non-executive directors
- 3.1.3 The chairman of the board should not be the chairman or member of the audit and risk committee unless the board confirms that the audit and risk committee role is not compromised by his/her role as chairman of the board, and the Company's shareholders agree to his/her appointment to the audit and risk committee.
- 3.1.4 Each member should be capable of making a valuable contribution to the committee. The board should evaluate whether the committee collectively has sufficient qualifications and experience to fulfill its duties. Audit and risk committee members should keep up-to-date with developments affecting the required skills-set.
- 3.1.5 A quorum for any meeting will be 2 members

- 3.1.6 The secretary of the audit and risk committee will be the company secretary, or such other person as nominated by the board
- 3.1.7 New members are required to have a robust orientation in order to understand the committee's responsibilities and the financial reporting process they will oversee
- 3.1.8 Members must possess a requisite level of financial reporting knowledge, or acquire such knowledge soon after joining the committee
- 3.1.9 Vacancies on the audit and risk committee must be filled by the board within 20 business days after the vacancy arises and ratified by the shareholders at the subsequent AGM

Role of the Chairman of the Audit and risk committee

- 3.1.10 The chairman of the audit and risk committee must be elected by the board from time to time
- 3.1.11 The chairman of the audit and risk committee should, in conjunction with the committee secretary, participate in setting and agreeing the agenda of the committee
- 3.1.12 Review and approve the audit and risk committee minutes prior to distribution
- 3.1.13 Report to the board of directors after each meeting of the audit and risk committee – distribute minutes of the meeting together with other written information if necessary
- 3.1.14 As a minimum, the chairman of the committee shall attend the board meeting at which the financial statements are approved
- 3.1.15 The chairman of the audit and risk committee should be present at the annual general meeting to answer questions, through the chairman of the board, on the report of the audit and risk committee's activities and duties
- 3.1.16 The chairman of the audit and risk committee should be properly briefed on the technical aspects to enable him/her to report to the board and shareholders
- 3.1.17 The chairman is responsible for the smooth running of meetings, ensuring that the views of each member are heard and that sufficient time is devoted to each issue for discussion
- 3.1.18 The audit and risk committee chairman, in consultation with the company secretary, has the power to call a committee meeting whenever he/she thinks it is necessary

3.2 Attendance at Meetings

- 3.2.1 Meetings shall be held not less than 4 times a year. Special meetings may be convened as required. Internal audit or the external auditors may convene a meeting if they consider that it is necessary
- 3.2.2 The audit and risk committee may invite such other persons to its meetings, as it deems necessary
- 3.2.3 The internal and external auditors should be invited to make presentations to the audit and risk committee as appropriate
- 3.2.4 The audit and risk committee should meet with internal and external auditors at least once a year without management being present
- 3.2.5 The designated auditor must meet with the audit and risk committee not more than one month before the board meets to approve the financial statements of the company for any financial year, so as to consider matters which appear to the auditor or the audit and risk committee to be of importance and relevant to the proposed financial statements and to the affairs of the company generally
- 3.2.6 The proceedings of all meetings will be minuted
- 3.2.7 Audit and risk committee papers should be concise, relevant and timely and should be distributed sufficiently in advance of meetings

3.3 Remuneration

- 3.3.1 Audit and risk committee members will be reimbursed for any expenses incurred in fulfilling their duties.

4. Duties

The audit and risk committee will:

4.1 Integrated Reporting

General

- 4.1.1 Oversee integrated reporting having regard to all factors and risks that may impact on the integrity of the integrated report
- 4.1.2 Gain an understanding of all significant actual or potential financial and non-financial risks (such as operational, strategic and regulatory) that may have implications on the integrated report and how management is managing these effectively
- 4.1.3 Understand how the board and the external auditor (and any other relevant external assurance provider) evaluate materiality for integrated reporting purposes
- 4.1.4 Carefully review forward-looking statements of financial or sustainability information to ensure that the information provides a proper appreciation of the key drivers that will enable the company to achieve these forward-looking goals

Sustainability Issues

- 4.1.5 Recommend to the board to engage an external assurance provider on material sustainability issues. The audit and risk committee should evaluate the independence and credentials of the external assurance provider
- 4.1.6 Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information

Internal Control

- 4.1.7 Evaluate whether management is setting the appropriate “control culture” by communicating the importance of internal control and ensuring that all employees have an understanding of their roles and responsibilities
- 4.1.8 Consider the effectiveness of the company’s internal control system, including information technology security and control. Assess whether management has controls in place for unusual types of transactions and/or any potential transactions that may involve an unacceptable degree of risk
- 4.1.9 Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown
- 4.1.10 Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management

Financial Reporting

- 4.1.11 Consider with the internal and external auditors any fraud, illegal acts, deficiencies in internal financial controls or other similar issues as it relates to financial reporting
- 4.1.12 Have oversight of IT risks as it relates to financial reporting
- 4.1.13 Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements
- 4.1.14 Ask management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks
- 4.1.15 Review any legal matters which could significantly impact the financial statements

Annual Financial Statements

- 4.1.16 Review and comment on the annual financial statements included in the integrated report and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles, best practices and that IFRS developments are considered
- 4.1.17 Discuss the initial selection of or changes in significant accounting policies used in preparing the financial statements, the reason for and impact of any changes in policy, and reasons why alternative treatments were not adopted, understanding regulatory and market reaction before granting approval
- 4.1.18 Be informed when there is a disagreement on auditing / accounting matters between management and the external auditors. When an accounting opinion has been requested from another external auditor, the reasoning for the accounting treatment adopted should be obtained and approved by

the audit and risk committee before the committee's recommendation is made to the board. The audit and risk committee should also be satisfied with the credentials of the person providing such an opinion

- 4.1.19 Pay particular attention to complex and/or unusual transactions
- 4.1.20 Focus on judgmental areas
- 4.1.21 Meet with management and the external auditors to review the financial statements and the results of the audit
- 4.1.22 Review a documented assessment prepared by management of the going concern status of the company. To enable the audit and risk committee to conduct a thorough discussion, management should document the key assumptions in reaching their conclusions
- 4.1.23 Review the other sections of the annual report before its release and consider whether the information is understandable and consistent with members' knowledge about the company and its operations
- 4.1.24 Recommend the annual financial statements for approval to the board
- 4.1.25 Be briefed on how management develops preliminary/provisional announcements, interim financial information, summarised integrated information and other press releases; the extent of internal audit involvement; and the extent to which the external auditors review such information
- 4.1.26 Make a recommendation to the board about whether the external auditor should perform assurance procedures on the interim results
- 4.1.27 Engage the external auditors to provide assurance on the summarised financial information
- 4.1.28 Review and assess the fairness of the financial information and disclosures, obtain explanations from management and internal and external auditors on whether:
 - 4.1.28.1 Actual financial results for the interim period varied significantly from budgeted or projected results
 - 4.1.28.2 Changes in financial ratios and relationships in the interim financial statements are consistent with changes in the company's operations and financing practices
 - 4.1.28.3 Generally accepted accounting principles have been consistently applied
 - 4.1.28.4 There are any actual or proposed changes in accounting or financial reporting practices
 - 4.1.28.5 There are any significant or unusual events or transactions
 - 4.1.28.6 The company's financial and operating controls are functioning effectively
 - 4.1.28.7 The financial information contains adequate and appropriate disclosures

4.2 Combined Assurance

- 4.2.1 Ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities to address all the significant risks facing the company
- 4.2.2 Monitor the relationship between external assurance providers and the company

Internal Audit

- 4.2.3 The audit and risk committee is responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive. *(the group has an internal audit manager fulfilling this role)*
- 4.2.4 Approve the internal audit plan and review the activities and organisational structure of the internal audit function and ensure no unjustified restrictions or limitations are imposed
- 4.2.5 Evaluate the nature and extent of the formal documented review of the design, implementation and effectiveness of the company's internal financial controls and risk management process to be performed by internal audit on behalf of the board annually. Weaknesses in internal financial controls that are considered to be material (individually or in combination with other weaknesses) and that resulted in actual material financial loss, fraud or material errors, should be reported to the board and stakeholders
- 4.2.6 Identify difficulties encountered while conducting audits, including restrictions on the scope of their work or access to required information
- 4.2.7 Review the effectiveness of the internal audit function, by ensuring that the internal audit function is subject to an independent quality review on an annual basis.
- 4.2.8 Meet separately with the head of internal audit to discuss any matters that the committee or auditors believe should be discussed privately

- 4.2.9 Ensure that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis
- 4.2.10 Ensure that management responds to recommendations by the internal auditors

Finance Function

- 4.2.11 Review the expertise, resources and experience of the company's finance function every year and disclose the results of the review in the integrated report
- 4.2.12 Evaluate the suitability of the expertise and experience of the CFO and recommend to the board if any changes are necessary

External Audit

Terms of Engagement

- 4.2.13 Nominate a registered auditor for appointment who, in the opinion of the audit and risk committee, is independent of the company
- 4.2.14 In the case where the AGM appoints a different auditor to the one nominated by the audit and risk committee, the appointment is not valid unless the audit and risk committee is satisfied that the auditor is independent of the company
- 4.2.15 Ensure that the appointment of the auditor complies with legislation relating to the appointment of auditors
- 4.2.16 Approve the terms of engagement and remuneration of the external auditors
- 4.2.17 Ensure that the name of the individual registered auditor who undertakes the audit has been specified in the terms of the engagement
- 4.2.18 Review the external auditors' proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope

Independence and Non-Audit Services to be Performed by the Auditor

- 4.2.19 Monitor and report on the independence of the external auditor, including defining a policy for non-audit services provided by the external auditor and pre-approving contracts for non-audit services bought by the company.

General

- 4.2.20 Review the quality and effectiveness of the external auditors
- 4.2.21 Receive notice of any Reportable Irregularities identified and reported by the external auditor to the Independent Regulatory Board for Auditors
- 4.2.22 Meet separately with the external auditors at least once a year to discuss any matters that the committee or auditors believe should be discussed privately
- 4.2.23 The designated auditor must meet with the audit and risk committee not more than one month before the board meets to approve the financial statements of the company for any financial year, so as to consider matters which appear to the auditor or the audit and risk committee to be of importance and relevant to the proposed financial statements and to the affairs of the company generally
- 4.2.24 Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis
- 4.2.25 Ensure that management responds to recommendations by the external auditors

4.3 Risk Management

- 4.3.1 Oversee the development, implementation and annual review of a risk management policy and plan for a system and process of risk management to recommend for approval to the board
- 4.3.2 Make recommendations to the board concerning the levels of risk tolerance and appetite and monitoring that risks are managed within the levels of risk tolerance and appetite as approved by the board
- 4.3.3 Ensure that a register of key and sustainability risks facing the company is maintained with responses to address these key risks
- 4.3.4 Ensure that compliance forms an integral part of the company's risk management process

- 4.3.5 Ensure that risk management assessments are performed on a continuous basis
- 4.3.6 Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks
- 4.3.7 Ensure that management considers and implements appropriate risk responses
- 4.3.8 Ensure that continuous risk monitoring by management takes place
- 4.3.9 Express the committee's formal opinion to the board on the effectiveness of the system and process of risk management
- 4.3.10 Review reporting concerning risk management that is to be included in the integrated report ensuring it is timely, comprehensive and relevant

4.4 Compliance with Laws and Regulations

- 4.4.1 Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance
- 4.4.2 Obtain regular updates from management (and legal counsel where appropriate) regarding compliance matters
- 4.4.3 Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements
- 4.4.4 Review the findings of any examinations by regulatory agencies

4.5 Compliance with the Company's Code of Conduct

- 4.5.1 Ensure that the code of conduct is in writing and that arrangements are made for all employees to be aware of it
- 4.5.2 Evaluate whether management is setting the appropriate "tone at the top" by communicating the importance of the code of conduct and the guidelines for acceptable behaviour
- 4.5.3 Review the process for monitoring compliance with the code of conduct and consider any matters that may have an effect on the integrated report
- 4.5.4 Obtain regular updates from management regarding compliance
- 4.5.5 Approve any amendments to the company's code of conduct as it applies to integrated reporting

4.6 Reporting Responsibilities

- 4.6.1 Regularly report internally to the board on its statutory duties and duties assigned to it by the board and make appropriate recommendations
- 4.6.2 Ensure the board is aware of matters which may significantly impact the financial condition or affairs of the business
- 4.6.3 Weaknesses in internal financial controls that are considered to be material (individually or in combination with other weaknesses) and that resulted in actual material financial loss, fraud or material errors, should be reported to the board and stakeholders
- 4.6.4 Recommend the integrated report for approval by the board. As a minimum, the audit and risk committee should provide the following information in the integrated report:
 - 4.6.4.1 A summary of its role
 - 4.6.4.2 A statement on whether or not the audit and risk committee has adopted a formal terms of reference that have been approved by the board and if so, whether the committee satisfied its responsibilities for the year in compliance with its terms of reference
 - 4.6.4.3 The names and qualifications of all members of the audit and risk committee during the period under review, and the period for which they served on the committee
 - 4.6.4.4 Number of audit and risk committee meetings held during the period under review and members' attendance at these meetings
 - 4.6.4.5 A statement on whether or not the audit and risk committee considered and recommended the internal audit charter for approval by the board
 - 4.6.4.6 A description of the working relationship with the CAE
 - 4.6.4.7 Information about any other responsibilities assigned to the audit and risk committee by the board
 - 4.6.4.8 A statement on whether the audit and risk committee complied with its legal, regulatory or other responsibilities and

- 4.6.4.9 A statement on whether or not the audit and risk committee recommended the integrated report to the board for approval
- 4.6.5 Insert in the financial statements to be issued in respect of that financial year, an audit and risk committee report:
 - 4.6.5.1 How its duties were carried out
 - 4.6.5.2 If the committee is satisfied with the independence of the external auditor
 - 4.6.5.3 The committee’s view on the financial statements and the accounting practices, and
 - 4.6.5.4 Whether the internal financial controls are effective
 - 4.6.5.5 Results of the review of the finance function

4.7 Other Responsibilities

- 4.7.1 Perform other oversight functions as requested by the board
- 4.7.2 Review any other reports the company issues that relate to audit and risk committee responsibilities
- 4.7.3 Receive and deal appropriately with any concerns or complaints relating to:
 - 4.7.3.1 The accounting practices and internal audit of the company
 - 4.7.3.2 The content or auditing of the company’s financial statements
 - 4.7.3.3 The internal financial controls of the company, or
 - 4.7.3.4 Any related matter
- 4.7.4 If necessary, institute investigations and, if appropriate, hire special counsel or experts to assist
- 4.7.5 Annually review and update the charter and receive approval of changes from the board
- 4.7.6 Annually evaluate the committee’s own performance

VERSION CONTROL

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