



# LA SENTINELLE LTD

## AUDIT & RISK COMMITTEE CHARTER



## **Audit & Risk Committee Charter of La Sentinelle Ltd (“the Company”)**

At Section 17, para 4 of the Board Charter it is stipulated that “The Board has established an **Audit & Risk Committee**”. All other responsibilities, including Governance, **Risk Monitoring**, Remuneration and Strategy remain Board responsibilities.

It is thus understood that **Risk Monitoring** in the broader sense (i.e. investment risk, commercial risk etc..) will stay with the Board while **Audit** from a financial perspective will be entrusted to a Committee. This being so, the charter should be an **Audit & Risk Committee Charter**.

### **1. Membership**

- 1.1** The **Audit & Risk Committee** (“the Committee”) shall comprise of not less than three (3) non-executive directors appointed by the Board, at least two (2) shall be independent non-executive directors. Members of the Committee shall be appointed by the Board, on the recommendation of the nomination Committee (if same has been established) in consultation with the Chairperson of the Audit & Risk Committee.
- 1.2** The Board shall appoint a Chairperson from the independent non-executive members of the Committee and determine the period for which he or she shall hold office.
- 1.3** The CFO shall not be eligible to be appointed as Chairperson or member of the Committee.
- 1.4** The Board shall satisfy itself that the Chairperson of the Committee and at least one (1) member of the Committee has recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.
- 1.5** The Board shall have the power at any time to remove any members from the Committee and to fill any vacancies created by such removal.
- 1.6** Only members of the Committee have the right to attend Committee meetings. However, the external auditor and finance director will be invited to attend meetings of the Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.7** Members shall be appointed for a three-year (3) term of office and, to ensure continuity, shall be automatically reappointed unless the Board decides otherwise.

### **2. Secretary**

- 2.1** The company secretary, or his or her nominee, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

**3. Quorum**

- 3.1 The quorum necessary for the transaction of business shall be two (2) members with at least one (1) independent director.

**4. Frequency of Meetings**

- 4.1 The Committee shall meet at least four (4) times in a year at appropriate intervals in the financial reporting and audit cycle or otherwise as may be required from time to time.
- 4.2 Outside of the formal meetings, the Committee Chairperson will maintain a dialogue with key individuals involved in the Company's governance, including the Board Chairperson, the CEO, the finance director, the external audit lead partner and the head of internal audit. The Committee Chairperson, at his/her discretion, may invite other executives to attend and to be heard at meetings of the Committee.

**5. Notice of Meetings**

- 5.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of any of its members or at the request of the external audit lead partner or head of internal auditor if they consider it necessary.
- 5.2 Notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall be forwarded to each member of the Committee, any other person required to attend, no later than five (5) working days before the date of the meeting.

**6. Minutes of Meetings**

- 6.1 The secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of Committee meetings shall be circulated no later than ten (10) working days after the last meeting of the Committee to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board.

**7. Annual General Meeting**

- 7.1 The Committee Chairperson shall attend the annual general meeting to answer shareholder questions on the Committee's activities.

## **8. Responsibilities of the Committee**

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### **8.1 Financial Statements**

8.1.1 The Committee will examine and review the quality and integrity of the financial statements of the company, including its, annual and half-yearly reports, interim reports and any other formal announcement relating to the Company's financial performance.

8.1.2 The Committee shall review and report to the Board on significant financial reporting issues and judgements which these financial statements contain having regard to matters communicated to the Committee by the auditor.

8.1.3 In particular, the Committee shall review and challenge where necessary:

8.1.3.1 The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the company/group;

8.1.3.2 Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;

8.1.3.3 The methods used to account for significant or unusual transactions where different approaches are possible;

8.1.3.4 Significant adjustments resulting from the audit;

8.1.3.5 Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;

8.1.3.6 The clarity and completeness of disclosure in the company's financial reports and the context in which statements are made; and

8.1.3.7 All material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and to risk management.

8.1.3.8 Where the Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board.

8.1.3.9 The basis on which the Company has been determined a going concern;

8.1.3.10 Capital adequacy and internal controls;

8.1.3.11 Compliance with the financial conditions of any loan covenants; and

8.1.3.12 Reviewing special documents (such as prospectuses)

8.1.3.13 Any other matter of material importance with regards to financial performance and reporting.

## **8.2 Narrative Reporting**

- 8.2.1 Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other stakeholders to assess the company's performance, business model and strategy.

## **8.3 Internal Controls and Financial Risk Management Systems**

The Committee shall:

- 8.3.1 Keep under review the adequacy and effectiveness of the Company's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems;
- 8.3.2 Review and approve the statements to be included in the annual report concerning internal controls and risk management.

## **8.4 Compliance, Whistleblowing and Fraud**

The Committee shall:

- 8.4.1 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 follow up action;
- 8.4.2 Review the Company's procedures for detecting fraud;
- 8.4.3 Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- 8.4.4 Review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the company's compliance function.
- 8.4.5 Review significant transactions not directly related to the Company's normal business as the Committee might deem appropriate;
- 8.4.6 Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company;

## **8.5 External Audit**

The Committee shall:

- 8.5.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor;
- 8.5.2 Ensure that at least once every seven (7) years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process. Several firms should be screened and the Committee should obtain written or verbal proposals to enable it to arrive at its recommendation;
- 8.5.3 If an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- 8.5.4 Oversee the relationship with the external auditor including (but not limited to):
  - 8.5.4.1 Recommendations on their remuneration, including both fees for audit and non-audit services, and that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - 8.5.4.2 Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 8.5.4.3 Assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 8.5.4.4 Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 8.5.4.5 Agreeing with the Board a policy on the employment of former employees of the company's auditor, and monitoring the implementation of this policy;
  - 8.5.4.6 Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;

- 8.5.4.7 Assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 8.5.4.8 Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved)
- 8.5.4.9 Seeking to ensure co-ordination with the activities of the internal audit function; and
- 8.5.4.10 Evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
- 8.5.5 Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- 8.5.6 Review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- 8.5.7 Consider whether any significant ventures, investments or operations are not subject to external audit;
- 8.5.8 Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
- 8.5.9 Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - 8.5.9.1 A discussion of any major issues which arose during the audit;
  - 8.5.9.2 Key accounting and audit judgements;
  - 8.5.9.3 Levels of errors identified during the audit; and
  - 8.5.9.4 The effectiveness of the audit process.
- 8.5.10 Review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.11 Review the management letter and management's response to the auditor's findings and recommendations;
- 8.5.12 Develop and implement policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

## **8.6 Business Conduct**

The Committee shall:

- 8.6.1 Monitor the implementation of the Company's code of ethics;
- 8.6.2 Review any statements on business conduct and ethical standards or requirements for the Company and assisting in developing such standards and requirements;
- 8.6.3 Ensure compliance with: the requirements of the articles of association; laws and regulations of any other applicable statute and of controlling bodies;
- 8.6.4 Identify any violations of ethical conduct.
- 8.6.5 Give recommendations on any potential conflict of interest or questionable situations of a material nature.

## **9. Reporting Responsibilities**

**9.1** The Committee Chairperson shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include:

- 9.1.1 The significant issues that it considered in relation to the financial statements and how these were addressed;
- 9.1.2 Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- 9.1.3 Any other issues on which the Board has requested the Committee's opinion.

**9.2** The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

**9.3** The Committee shall compile a report on its activities to be included in the company's annual report. The report should include an explanation of how the Committee has addressed the effectiveness of the external 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. In compiling the report 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.

## **10. Remuneration**

**10.1** Having regard for the functions performed by the members of the Committee in addition to their functions as directors in relation to the activities of the Committee, members of the Committee will not be paid such special remuneration.

**11. Other Matters**

The Committee shall:

- 11.1 Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
- 11.2 Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat for assistance as required;
- 11.3 Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
- 11.4 Give due consideration to laws and regulations, the Code and any other applicable rules, as appropriate;
- 11.5 Be responsible for co-ordination of the internal and external auditors;
- 11.6 Oversee any investigation of activities which are within its terms of reference;
- 11.7 Work and liaise as necessary with all other Board Committees; and
- 11.8 Arrange for periodic reviews of its own performance and, at least annually, 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.

**12. Authority**

The Committee is authorised to:

- 12.1 Seek any information it requires from any employee of the Company in order to perform its duties;
- 12.2 Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- 12.3 Call any employee to be questioned at a meeting of the Committee as and when required.

**Approved by the Board of Directors on .....**