

**RENERGEN**

**FUTURE ENERGY, TODAY**

**AUDIT, RISK AND IT COMMITTEE CHARTER**

## **1. Introduction**

The Audit, Risk and IT Committee ("the Committee") is constituted as a statutory committee of Renergen Limited ("the Company") in respect of its statutory duties in terms of section 94(7) of the Companies Act, 2008 ("the Act") and a committee of the board of directors ("the Board") in respect of all other duties assigned to it by the Board.

The duties and responsibilities of the members of the Committee as set out in this document 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 in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.

This Charter is subject to the provisions of the Act, the Company's Memorandum of Incorporation, the listings requirements of the JSE and any other applicable law or regulatory provisions.

## **2. Purpose of the Charter**

The purpose of this Charter is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

## **3. Composition of the Committee**

The Committee comprises of at least three members to be elected annually by the shareholders on recommendation by the Nominations Committee and the Board.

All members of the Committee must be suitably skilled and experienced independent, non-executive directors.

The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following –

- Financial and sustainability reporting;
- Internal financial controls;
- External audit process;
- Internal audit process;
- Corporate law;
- Risk management;
- Sustainability issues;
- Information and technology governance; and
- The governance processes within the Company.

The chairperson of the Board is not eligible to be the chairperson or a member of the Committee.

The Committee is chaired by an independent non-executive director. The Board elects the chairperson of the Committee, which appointment is ratified by the shareholders.

In the event that the number of Committee members falls below the required minimum of three members, the Board must fill any vacancy on the Committee within 40 (forty) business days after the vacancy arises.

Committee members must keep up-to-date with developments affecting the required skill-set.

## **Role**

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:

### **5.1. Integrated Reporting**

The Committee oversees integrated reporting, and in particular the Committee must –

- 5.1.1. 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 judgements 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;
- 5.1.2. review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price sensitive information and prospectuses, trading statements and similar documents;
- 5.1.3. comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 5.1.4. prepare a report, to be included in the annual financial statements for that financial year
  - describing how the Committee carried out its functions;
  - stating whether the Committee is satisfied that the auditor was independent of the Company; and
  - commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Company;
- 5.1.5. review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 5.1.6. recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
- 5.1.7. recommend the integrated report for approval by the Board;
- 5.1.8. consider the frequency for issuing interim results;
- 5.1.9. consider whether the external auditor should perform assurance procedures on the interim results;
- 5.1.10. review the content of the summarised information for whether it provides a balanced view;
- 5.1.11. engage the external auditors to provide assurance on the summarised financial information; and
- 5.1.12. review and, where necessary, respond to correspondence and queries received from the JSE.

### **5.2. Combined Assurance**

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

- 5.2.1. ensure that the combined assurance received is appropriate to address all of the significant risks facing the Company; and
- 5.2.2. monitor the relationship between the external assurance providers and the Company.

### 5.3. Finance Function and Financial Director

The Committee reviews the expertise, resources and experience of the Company's finance function, and discloses the results of the review in the integrated report.

The Committee also considers and satisfies itself of the suitability of the expertise and experience of the financial director on an annual basis.

### 5.4. Internal Audit

The Committee is responsible for overseeing of internal audit, and in particular the Committee must –

- 5.4.1. be responsible for the appointment, performance assessment and/or dismissal of the outsourced internal audit service provider;
- 5.4.2. approve the internal audit plan and monitor performance against this plan; and
- 5.4.3. ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

### 5.5. Risk Management

The Committee is an integral component of the risk management process and specifically the Committee must –

- 5.5.1. oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board;
- 5.5.2. monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- 5.5.3. make recommendations to the Board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the Board;
- 5.5.4. ensure that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company;
- 5.5.5. ensure that risk management assessments are performed on a continuous basis;
- 5.5.6. ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- 5.5.7. ensure that management considers and implements appropriate risk responses;
- 5.5.8. ensure that continuous risk monitoring by management takes place;
- 5.5.9. express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management.
- 5.5.10. review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant; and
- 5.5.11. focus on financial risks, specifically:
  - financial reporting risks;
  - internal financial controls;
  - fraud risks as they relate to financial reporting; and

- IT risks as they relate to financial reporting.

#### 5.6. Solvency and Liquidity

The Committee must review the going concern status of the Company, more specifically –

- 5.6.1. the cash position of the Company (sufficient funds for operation and payment of debt); and
- 5.6.2. capital adequacy.

#### 5.7. External Audit

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process. In this regard the Committee must –

- 5.7.1. review the latest Independent Regulatory Board for Auditors (IRBA) inspection findings in respect of both the external audit firm and the individual auditor, in accordance with paragraph 22.15(h) of the JSE Listings Requirements;
- 5.7.2. nominate the external auditor for appointment by the shareholders;
- 5.7.3. approve the terms of engagement and remuneration for the external audit engagement;
- 5.7.4. ensure that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;
- 5.7.5. monitor and report on the independence of the external auditor in the annual financial statements;
- 5.7.6. define a policy for non-audit services provided by the external auditor;
- 5.7.7. pre-approve the contracts for non-audit services to be rendered by the external auditor;
- 5.7.8. ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor; and
- 5.7.9. review the quality and effectiveness of the external audit process.

### 6. **Authority**

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 the 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, the company secretary or assurance providers to provide it with information subject to Board approved process.

The Committee has access to the Company's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following Board approved process.

The Committee may form, and delegate authority to, subcommittees 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 Company's cost, subject to a Board approved process being followed.

Committee has decision-making authority in regard to its statutory duties and is accountable in respect to both the Board and the shareholders. To this end the chairperson of the Committee must be present at all annual general meetings.

On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.

## **7. Meetings and Procedures**

### **7.1. Frequency**

The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in this Charter, subject to a minimum of three meetings per year.

Meetings in addition to those scheduled may, with the approval of the chairperson, be held at the request of the external auditor, the chief executive officer, chief financial officer, chief audit executive or other members of senior management or at the instance of the Board.

The Committee must meet with the internal and external auditors at least once a year without management being present.

### **7.2. Attendance**

The chief executive officer, chief financial officer, chief audit executive, 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 they may not vote.

Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the chairperson or company secretary.

The Committee may, if deemed appropriate, confer by any appropriate electronic media such as telephone, closed circuit television, skype, video conferencing, etc. ("Conference").

The company secretary is the secretary to this Committee.

If the nominated chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairperson.

### **7.3. Agenda and Minutes**

The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual work plan must ensure proper coverage of the matters laid out in this Charter. The more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period.

The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual work plan.

A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each scheduled meeting to the members of the Committee and other invitees. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.

The minutes must be completed as soon as possible after the meeting and circulated to the chairperson and members of the Committee for review thereof.

The minutes must be formally approved by the Committee at its next scheduled meeting.

#### 7.4. Quorum

A minimum of two members must be in attendance to constitute a meeting quorum. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

### 8. Remuneration

8.1. Having regard to the duties performed by the members of this Committee in addition to their function as non-executive directors, non-executive members of the Committee shall be paid such additional remuneration in respect of their appointment on this Committee as shall be proposed by the Board and ratified by shareholders.

8.2. The Chairperson of the Committee shall, in addition to his/ her remuneration as member of this Committee, receive an additional amount for fulfilling the role as chairperson as determined by the Board and ratified by shareholders.

8.3. Such special remuneration in terms hereof shall be in addition to the annual fees payable to directors.

### 9. Evaluation

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

### 10. Approval of these terms of reference



\_\_\_\_\_  
Committee Chairperson  
31 January 2019



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Board Chairperson

26 February 2019

29 March 19

