



# **Audit & Risk Committee Charter**

## 1 Overall Purpose and Objectives

- 1.1 The Audit and Risk Committee, while assisting the Board in fulfilling its oversight responsibilities, will also be responsible for any other functions as may be designated by the Board. The Audit and Risk Committee will review the financial reporting process, the system of internal control and management of financial risks, the audit process, the ethical behaviour of the Company, forensics and fraudulent matters, its executives and senior officials, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.
- 1.2 In performing its duties, the Committee will maintain effective working relationships with the Board of Directors, management, and the internal and external auditors. The Committee will work and liaise with all other Board committees, as and when necessary.
- 1.3 The Committee will not perform any management functions or assume any management responsibilities. It will provide a forum for discussing business risk and control issues for developing relevant recommendations for consideration by the Board. The Committee will mainly make recommendations to the Board for its approval or final decision. To perform his or her role effectively, each Committee Member must have an understanding of the detailed responsibilities of Committee membership as well as be provided with a comprehensive overview of the Company's business, operations, and risks

## 2 Members of the Committee

- 2.1 Members of the committee shall be appointed by the Board from amongst the members of the Board.
- 2.2 The committee shall consist of a chairman and at least 2 other board members. In the absence of the Chairperson of the Audit and Risk Committee, the members present shall choose one of their number to be Chairperson of the meeting. The Chief Executive Officer of the Company may attend the Committee meetings but is not entitled to vote on any matter transacted at the meeting.
- 2.3 Ideally one member should possess a professional qualification from one of the professional accountancy bodies.
- 2.4 The duties and responsibilities of a member of the Audit and Risk Committee are in addition to those set out for a member of the Board of Directors.
- 2.5 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.
- 2.6 The Chairman of the committee may also invite the chairman of the board or any other members of the board. The committee can decide to invite other key stakeholders such as auditors and/or employees of the company to attend as and when appropriate and necessary.

### 3 Secretary

- 3.1 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.

### 4 Quorum

- 4.1 The quorum necessary for the meeting shall be two members.

### 5 Frequency of meetings

- 5.1 The committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 5.2 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

### 6 Notice of meetings

- 6.1 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 days before the date of the meeting.

### 7 Proceedings at meetings

- 7.1 The Secretary shall minute the proceedings and decisions of all meetings of the committee, including recording the names of those present and in attendance.
- 7.2 Draft minutes of committee meetings shall be circulated preferably within ten working days to all members of the committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the committee Chairperson.
- 7.3 The Committee members shall declare their interest as soon as a conflict or potential conflict of interest arises.

- 7.4 The Committee members must have privileged access to any information that it needs, well in advance of scheduled meetings. Where necessary, this includes access to external resources, legal counsel, and financial and other professional advisors.
- 7.5 The Committee members must be fully prepared for Committee meetings to provide appropriate and constructive input on matters discussed.

## 8 Annual General Meeting

- 8.1 The committee Chairperson shall attend the annual general meeting (as appropriate) to answer shareholder questions on the committee's activities.

## 9 Scope and responsibilities of the committee

- 9.1 The audit committee will be responsible for HV Group and its subsidiaries.
- 9.2 The audit and risk committee shall be responsible for:

### **9.2.1 Financial Statements and Other documents**

- a. 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 organization's financial performance.
- b. Review and report to the board on significant financial reporting issues and judgements, having regard to matters communicated by the auditor.
- c. In particular, the committee shall review and challenge where necessary;
  - i. The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/group
  - ii. Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
  - iii. The methods used to account for significant or unusual transactions where different approaches are possible;
  - iv. Significant adjustments resulting from the audit;
  - v. Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;
  - vi. The clarity and completeness of disclosure in the Company's financial reports and the context in which statements are;
  - vii. 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;

- viii. 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;
- ix. The basis on which the organisation has been determined a going concern;
- x. Capital adequacy and internal controls;
- xi. Compliance with the financial conditions of any loan covenants; and
- xii. Reviewing special documents (such as prospectuses).

### **9.2.2 Internal Controls and Risk Management System**

The committee shall:

- a. Keep under review the adequacy and effectiveness of the organisation's systems of internal control, including internal financial control and business risk management and maintaining effective internal control systems.
- b. Review and approve the statements to be included in the annual report concerning internal controls and risk management.
- c. Review the adequacy and effectiveness of the organization's IT policy framework; monitoring and responding to any significant IT related risk or incident, including cyber risk security.
- d. Review any existing Environmental, Social and Governance policy framework in addition to the organization's business practices and performance on sustainability and ethical issues.

### **9.2.3 Internal Audit**

The committee shall:

- a. Recommend to the board the appointment or termination of appointment of the head of internal audit;
- b. Review and approve the charter of the internal audit function and ensure the function has the necessary resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- c. Ensure the internal auditor has direct access to the Board Chairperson and to the committee Chairperson, and is accountable to the committee;
- d. Review and assess the annual internal audit work plan;
- e. Receive a report on the results of the internal auditor's work on a periodic basis;

- f. Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- g. Meet with the head of internal audit at least once a year without the presence of management;
- h. Monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system;

#### **9.2.4 External Audit**

The committee shall:

- a. Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting in relation to the appointment, re-appointment and removal of the Company's external auditor based on regular assessments of external auditors' performance as well as periodic tendering exercises to ensure effective and high-quality auditors;
- b. If an auditor resigns, investigate the issues leading to this and decide whether any action is required.
- c. 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, to discuss the auditor's remit and any issues arising from the audit.
- d. 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.
- e. Consider whether any significant ventures, investments or operations are not subject to external audit.
- f. Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
- g. Review any representation letter(s) requested by the external auditor including the management response to the auditors findings and recommendations.
- h. 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.

- i. Review the findings of the audit with the external auditor. This shall include but not be limited to the following:
  - i) A discussion of any major issues which arose during the audit;
  - ii) Key accounting and audit judgements;
  - iii) Levels of errors identified during the audit; and
  - iv) The effectiveness of the audit process.
  
- j. Oversee the relationship with the external auditor including (but not limited to):
  - i) Recommendations on their remuneration;
  - ii) Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - iii) Assessing 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;
  - iv) Satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the organisation (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - v) Monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner;
  - vi) Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved);
  - vii) Seeking to ensure co-ordination with the activities of the internal audit function;
  - viii) 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.

### **9.2.5 Whistleblowing and Fraud**

The committee shall:

- a. Review the adequacy and security of the organisation's arrangements for its employees and stakeholders to raise concerns, in confidence, about possible wrongdoing in financial reporting, embezzlement, kickbacks or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
  
- b. Review significant cases of employee conflict of interest, misconduct or fraud, or any
  
- c. Safeguard the organisation's assets against unauthorised use or disposal; and

- d. Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the organisation's internal control, cases of employee fraud, misconduct or conflict of interest.

### **9.3 Business Conduct**

The committee shall:

- a. Monitor the implementation of the organisation's Code of ethics;
- b. Review any statements on business conduct and ethical standards or requirements for the organisation and assisting in developing such standards and requirements;
- c. Identify any violations of ethical conduct; and
- d. Give recommendations on any potential conflict of interest or questionable situations of a material nature.

## 10 Reporting responsibilities

- 10.1 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:
- a. The significant issues that it considered in relation to the financial statements and how these were addressed;
  - b. Its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - c. Any other issues on which the Board has requested the Committee's opinion.
- 10.2 The committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed;
- 10.3 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;

## 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 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 charter/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 authorized to:

- 12.1** Seek any information it requires from any employee of the organisation in order to perform its duties;
- 12.2** Obtain, at the organisation'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;