

# **AUDIT COMMITTEE CHARTER**

**Lighthouse Capital Limited**

## AUDIT COMMITTEE CHARTER

### 1. OBJECTIVE

The audit committee is established to assist the board in:

- Discharging its duties relating to the safeguarding of assets;
- The operation of adequate systems and internal control processes;
- The preparation of interim and annual financial reports and statements that fairly present the results in compliance with all applicable legal requirements and accounting standards;
- Nomination of an external auditor whose appointment is subject to shareholder approval; and
- Interaction with the external auditor.

### 2. MEMBERSHIP

The members of the audit committee are nominated by the board and approved by shareholders at the annual general meeting. The board will appoint the chairperson of the audit committee.

According to corporate governance requirements, the audit committee:

- Consists of three independent non-executive members;
- Is chaired by an independent non-executive director who is not the chairperson of the board;
- The chairperson of the board is not an audit committee member;
- Consists of members fully conversant with basic finance and accounting, and who are knowledgeable about the affairs of the company;
- Consists of members with an understanding of International Financial Reporting Standards (IFRS) and integrated reporting, with regard to financial reporting, as well as internal financial controls, the external audit process, corporate law, sustainability issues and information technology as it relates to integrated reporting and governance processes within the company.

To ensure that the audit committee continually comprises the best balance of knowledge, skills, experience, diversity and independence, the board will review its membership every year. Termination of audit committee membership shall be agreed by the board.

### 3. RESPONSIBILITIES AND DUTIES

The audit committee must assume the following responsibilities:

- Oversee the integrated accounting and reporting process, including financial reporting (the audit committee members should collectively have an understanding of integrated reporting, internal financial controls, the external and internal audit process, corporate law, sustainability issues, information technology governance and the governance processes within the company);
- Review the independence of internal and external auditors;
- Evaluate and coordinate the internal and external audit process;
- Nurture and improve communication and contact between relevant stakeholders in the company;
- Monitor the compliance of the company with legal requirements;
- Satisfy itself of the expertise, resources and experience of the company's finance department;
- Deal appropriately with any concerns or complaints relating to accounting practices, the content or auditing of the group's financial statements, internal financial controls or any other relevant matters; and
- Assist the board in carrying out its information and technology governance by obtaining the relevant assurances that all information and technology risks are adequately addressed by the controls in place.

The audit committee has the following specific duties with respect to the external audit process:

- Nominate, for appointment as external auditor of the company, a registered auditor who is independent of the company;
- Review and approve the auditor's fees and terms of engagement;
- Ensure that the appointment of the external auditor complies with relevant legislation;
- Determine the nature and extent of any non-audit services which the auditor may provide to the company;
- Perform other functions determined by the board, including the development and implementation of a

policy and plan for a systematic evaluation designed to improve the effectiveness of control and governance processes within the company;

- Annually review and discuss with the external auditor all significant relationships they have with the company to determine their independence and objectivity;
- Review external audit reports to ensure that prompt action is taken by management in all relevant areas;
- Review any significant disagreement between management and the external auditor relating to any external audit report;
- Evaluate the performance of the external auditor and the quality and effectiveness of the audit process; and
- Develop a process to ensure that the audit committee receives notice of any irregularities reported to the Independent Regulatory Board for Auditors.

With respect to the financial reporting processes, the audit committee shall:

- Evaluate the integrated report of the group for reasonableness, completeness, consistency and accuracy prior to issue and approval by the board;
- Evaluate significant management decisions affecting the financial statements, including changes in accounting policy, resolutions requiring a major element of judgement, and the clarity and completeness of proposed financial and sustainability disclosures;
- In consultation with the external auditors and the internal auditors, review the integrity of the group's internal and external financial reporting processes;
- Consider the external auditor's opinion about the quality and appropriateness of the company's accounting policies as applied in its financial reporting; and
- Particular attention to complex and/or unusual transactions.

The audit committee shall have the following duties relating to internal controls:

- Understand the group's key risk areas and the internal control structure;
- Evaluate whether management is setting the appropriate "control culture" by communicating the importance of internal control and the management of risk and by ensuring that all employees have an understanding of their roles and responsibilities;
- Review the effectiveness and efficiency of the internal controls system applied in the company;
- Review and assess the reports issued by the internal and external auditors;
- Consider how management is held accountable for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown, fraud or misuse;
- Gain an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management; and
- Prioritise and direct the audit effort to high-risk areas of the business.

The group reviews and assesses an internal audit function, based on the recommendations and guidance of the audit committee. In respect of the internal audit, the audit committee:

- Reviews and approves the internal audit charter;
- Reviews the effectiveness of the internal audit function, and its capacity to carry out the annual audit plan;
- Reviews the activities and organisational structure of the internal audit function and ensures that no unjustified restrictions or limitations exist;
- Provides the independence of the internal audit function;
- Ensures internal audit activities comply with the relevant rules and regulations;
- Reviews and approves the results of risk assessment and the annual audit plan;
- Reviews the results of the audit work performed;
- Reviews and approves the internal audit reports to management and management's action plans to address risks and control deficiencies;
- Monitors the status of implementation of management action plans; and
- May escalate to the board of directors the significant audit findings and control deficiencies which require board attention and prioritisation.

The ethical and legal compliance duties of the audit committee are:

- Review compliance with all applicable laws, regulations, policies and rules;
- Review the internal audit reports concerning any compliance reviews;
- Review management's monitoring of compliance with the board's guidelines; and

- Perform any other activities consistent with this charter, as the committee or the board deems necessary or appropriate.

#### **4. AUTHORITY**

The board supports and endorses the audit committee, which operates independently of management and is free from any organisational impairment. The audit committee assists the board in fulfilling its responsibilities and has unrestricted access to all information, including records, property and personnel of the company. The committee is provided with the necessary resources to fulfil its responsibilities.

The audit committee convenes at least four times a year. At these meetings, management reports important decisions taken in the course of the preparation of financial statements.

Management is responsible for providing the audit committee with an assessment of whether or not the board should issue a going concern statement. Once this information is received, the audit committee should then make an appropriate recommendation to the board.

The audit committee is authorised by the board to:

- Investigate any activities within its terms of reference;
- Seek, when necessary, outside legal and/or other independent professional advice;
- Secure the attendance of external parties with the relevant experience and expertise, where necessary, at the company's expense; and
- Seek any information it requires from any employee, who, in turn, is required to cooperate with any requests made by the audit committee.

#### **5. REPORTING**

The audit committee reports to:

- The board regarding any issues that may arise and makes recommendations regarding such matters (the board retains responsibility for implementing such recommendations);
- The board on how it discharged its duties during the financial year;
- Shareholders and other stakeholders in respect of:
  - A statement as to whether the audit committee adopted formal terms of reference as approved by the board;
  - Names and qualifications of members of the committee during the period;
  - The number of audit committee meetings held during the period and which members attended;
  - Information about any other responsibilities assigned to the audit committee by the board;
  - A statement on whether, or not, the audit committee complied with its legal, regulatory and other responsibilities;
  - A statement on whether, or not, the audit committee recommended the integrated report to the board for approval;
  - A description of the working relationship with the Chief Financial Officer; and
  - The results of the audit committee's review of the expertise, resources and experience of the company's finance function;
  - Any external advisors or invitees who regularly attend committee meetings;
  - Key areas of focus during the reporting period;
  - Whether the committee is satisfied that the external auditor is independent of the company, including:
    - The policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year;
    - The tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
    - The rotation of the designated external audit partner; and
    - Significant changes in the management of the company during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management;
  - Significant matters that the committee considered in relation to the annual financial statements, and how these were addressed by the committee, having regard to matters communicated to the committee by the external auditor;
  - Significant matters that the committee considered in its assessment of whether the company is a going concern;
  - The committee's views on the quality and effectiveness of the external audit;

- The committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit;
- The committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error; and
- The arrangements in place for combined assurance and the committee's views on its effectiveness

The committee shall make a statement in the integrated report on:

- Its overall role and associated responsibilities and functions;
- Its composition, including each member's qualifications and experience;
- Any external advisors or invitees who regularly attend committee meetings;
- Key areas of focus during the reporting period;
- The number of meetings held during the reporting period and attendance at those meetings; and
- Whether the committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

## 6. MEETINGS

- The audit committee meets at least four times a year. *Ad hoc* meetings are held to consider special business, as required. The chief executive officer, the chief financial officer and/or other executive directors attend meetings of the audit committee, or part thereof, if needed to contribute pertinent insights and information.
- Meetings are held prior to board meetings and correspond with the major phases of the financial reporting, external and internal audit cycles.
- As part of its responsibility to nurture open communication, the committee will, if necessary, meet at least once a year with the chief executive officer or chief financial officer and the external auditor separately, to talk through matters that the committee, or either of these groups, believe should be discussed privately.
- A quorum of the audit committee shall be a majority of members being present.

## 7. ATTENDANCE

The chairperson of the committee shall attend the annual general meeting to answer questions concerning matters falling within the ambit of the committee.

## 8. EFFECTIVE DATE

This charter replaces any previous board charter of the committee, which shall cease to be of any further force and effect from the date this charter is approved by the board.

This charter will be deemed to be accepted by, and be binding upon, all existing and future members of the board and/or board committee members from their acceptance of appointment as directors and/or board committee members, as the case may be, without any further action required

## APPROVAL FOR AND ON BEHALF OF THE BOARD

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**Chairperson: audit committee**  
**Lighthouse Capital Limited**

\_\_\_\_\_  
**Date**