

# **Africure Pharmaceutical Ltd**

## **CHARTER**

### **AUDIT AND RISK COMMITTEE**

#### **Terms of Reference**

**Africure Pharmaceutical Ltd** (the "Company") is a company incorporated under the laws of Mauritius and is engaged in the manufacture, trading and marketing of pharmaceutical products in sub Saharan Africa. The Company also holds majority stake-holdings in state of the art pharmaceutical manufacturing facilities in sub Sharan Africa namely Cameroon, India, Tanzania, Botswana and Ivory Coast.

The purpose of the Audit and Risk Committee (the "Committee") is to assist the Board of Directors of the Company (the "Board") in fulfilling its oversight responsibilities for risk management, the financial reporting process, the system of internal control over financial reporting, and the audit process.

## **1. Membership**

- 1.1 The Committee shall comprise of not less than three members, consisting of non-executive and independent directors, and the majority should be independent directors.
- 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 Appointments to the Committee shall be made by the Board.
- 1.4 The Chairperson of the Board, the Chief Executive Officer ("CEO") the Chief Financial Officer ("CFO") and any executive director shall not be eligible to be appointed as Chairperson or member of the Committee.
- 1.5 In the absence of the Committee Chairperson and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting from those who would qualify under these terms of reference to be appointed to that position by the Board. The Chairperson of the Board shall not chair the Committee when it is dealing with the matter of succession to the Chairpersonship.
- 1.6 Regarding the audit aspect, the Board shall satisfy itself that at least one member of the Committee has recent and relevant financial experience ideally with a professional qualification from one of the professional accountancy bodies.
- 1.7 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.
- 1.8 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), the Chief Risk Officer ("CRO"), senior executives and external advisers may be invited to attend all or part of any meeting, as and when appropriate and necessary.

1.9 Appointments to the Committee shall be for a period of up to two years extendable by no more than two additional two-year periods, so long as members continue to be independent.

1.10 The Company shall provide an induction program for new Committee members. This should cover the role of the Committee, including its terms of reference and expected time commitment by members, and an overview of the Company's business model and strategy identifying the main business and financial dynamics and risks. Trainings should also be provided to the members of the Committee on an ongoing and timely basis and should include an understanding of the principles of and developments in financial reporting, risk management and related laws and regulations.

## **2. Secretary**

2.1 The Company Secretary shall act as the Secretary of the Committee.

## **3. Quorum**

3.1 The quorum necessary for the transaction of business shall be two members and at least one must be an independent non-executive director.

## **4. Frequency of meetings**

4.1 The Committee shall meet at least twice a year at appropriate intervals to coincide with key dates within the financial reporting and audit cycle. Additional meetings may be called whenever required.

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 CFO, the CRO, the external audit lead partner and the head of internal audit. The Committee Chairperson, at his 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 working days before the date of the meeting. The documents may be sent in electronic form.

## **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 seven 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. Annual Meeting**

The Committee Chairperson shall attend the annual meeting to answer shareholder questions on the Committee's activities and on matters within the scope of its responsibilities.

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

The Committee shall carry out the duties below for the Company, the major subsidiary undertakings and the group as a whole, as appropriate.

### **8.1 Responsibilities with regards to audit**

#### Financial Statements

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.

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

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

- The consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company/group;
- Compliance with accounting standards, local and international, compliance with stock exchange and legal requirements;
- The methods used to account for significant or unusual transactions where different approaches are possible;
- Significant adjustments resulting from the audit;
- Whether the Company has followed appropriate accounting standards and made appropriate estimates and judgments taking into account the views of the external auditor;
- The clarity and completeness of disclosure in the Company's financial reports and the

context in which statements are made;

- 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;
- 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;
- The basis on which the Company has been determined a going concern;
- Capital adequacy and internal controls;
- Compliance with the financial conditions of any loan covenants; and
- Reviewing special documents.

#### Narrative reporting

Where requested by the Board, the Committee shall review the content of the 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.

#### Internal controls and risk management systems

The Committee shall:

- 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; and
- Review and approve the statements to be included in the accounts concerning internal controls and risk management.

#### Compliance, whistleblowing and fraud

The Committee shall:

- 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;
- Review significant transactions not directly related to the Company's normal business as the Committee might deem appropriate;
- Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company.

### Internal audit

The Committee shall:

- Approve the appointment or termination of appointment of the head of internal audit;
- 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 fulfill its mandate, and is equipped to perform in accordance with appropriate professional standards for internal auditors;
- Ensure the internal auditor has direct access to the Board Chairperson and to the Committee Chairperson, and is accountable to the Committee;
- Review and assess the annual internal audit work plan;
- Receive a report on the results of the internal auditor's work on a periodic basis;
- Review and monitor management's responsiveness to the internal auditor's findings and recommendations;
- Meet with the head of internal audit at least once a year without the presence of management;
- Monitor and review the effectiveness of the Company's internal audit function, in the context of the Company's overall risk management system;
- Safeguard Company's assets against unauthorized use or disposal; and
- Direct and supervise investigations into matters within its scope, for example, evaluations of the effectiveness of the Company's internal control, cases of employee fraud, misconduct or conflict of interest.

### External audit

The Committee shall:

- Consider and make recommendations to the Board, to be put to shareholders for approval at the Annual Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor;
- Ensure that at least once every seven 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, except the incumbent auditor, have such access as is necessary to information and individuals during the duration of the tendering process. Several firms excluding the incumbent auditor, should be screened and the committee

should obtain written or verbal proposals to enable it to arrive at its recommendation.

- If an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- Oversee the relationship with the external auditor including (but not limited to):
  - 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;
  - Approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - 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;
  - 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;
  - Agreeing with the Board a policy on the employment of former employees of the Company's auditor, and monitoring the implementation of this policy;
  - 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;
  - 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;
  - Seeking to ensure co-ordination between audit firms (where more than one audit firm is involved)
  - Seeking to ensure co-ordination with the activities of the internal audit function; and
  - 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.
- 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.

- 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.
- Consider whether any significant ventures, investments or operations are not subject to external audit.
- Obtain assurance from the external auditor(s) that adequate accounting records are being maintained.
- Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
  - A discussion of any major issues which arose during the audit;
  - Key accounting and audit judgments;
  - Levels of errors identified during the audit; and
  - The effectiveness of the audit process.
- Review any representation letter(s) requested by the external auditor before they are signed by management.
- Review the management letter and management's response to the auditor's findings and recommendations.
- 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.
- Give recommendations on any potential conflict of interest or questionable situations of a material nature.

## **8.2 Responsibilities with regards to risk**

The Committee shall:

- Advise the Board on the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macroeconomic and financial environment.
- Oversee and advise the Board on the current risk exposures of the Company and future risk strategy.
- In relation to risk assessment:



- keep under review the Company's overall risk assessment processes that inform the Board's decision making, ensuring both qualitative and quantitative metrics are used;
  - review regularly and approve the parameters used in these measures and the methodology adopted; and
  - set a standard for the accurate and timely monitoring of large exposures and certain risk types of critical importance.
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- Review the Company's capability to identify and manage new risk types.
  - Before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions including acquisitions or disposals
  - Ensuring that a due diligence appraisal of the proposition is undertaken
  - Focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, and taking independent external advice where appropriate and available.
  - Review reports on any material breaches of risk limits and the adequacy of proposed action.
  - Keep under review the effectiveness of the Company's internal financial controls and internal controls and risk management systems and review and approve the statements to be included in the annual report concerning internal controls and risk management.
  - Provide qualitative and quantitative advice to the Nomination and Remuneration Committee on risk weightings to be applied to performance objectives incorporated in executive remuneration.
  - 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.
  - Review the Company's procedures for detecting fraud.
  - Review the Company's procedures for the prevention of bribery.
  - Consider and approve the remit of the risk management function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The Committee shall also ensure the function has adequate independence and is free from management and other restrictions.

- Recommend to the Board the appointment and/or removal of the CRO.
- Review and have oversight over the adequacy of insurance coverage for the Company and Directors' and Officers' liability insurances.
- Review and have oversight over the Company's business physical and digital continuity planning arrangements, including whether business continuity and disaster recovery plans are periodically updated and tested.
- Review the risk register periodically.
- Review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function.
- 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.
- Review significant transactions not directly related to the Company's normal business as the Committee might deem appropriate.
- Review significant cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the Company.
- Review promptly all reports on the Company from the CRO.
- Review and monitor management's responsiveness to the findings and recommendations of the CRO.
- Ensure the CRO shall be given the right of unfettered direct access to the Chairperson of the Board and to the Committee.
- Work and liaise as necessary with all other Board Committees.

## **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 Audit and Risk report shall include:

- the significant issues that it considered in relation to the financial statements and how these were addressed;
- its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
- 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 accounts. The report shall 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 judgment 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 may be paid such special remuneration in respect of their appointment as shall be fixed by the Board. Such special remuneration shall be in addition to the annual fees payable to directors.

10.2 The Chairperson of the Committee shall, in addition to his or her remuneration as member, receive a further sum as determined by the Board.

## **11 Other matters**

The Committee shall:

- Have access to outside or other independent professional advice as it considers necessary to carry out its duties;
- Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- Be provided with appropriate and timely training, both in the form of an induction

program for new members and on an ongoing basis for all members;

- Give due consideration to laws, regulations and any other applicable rules, as appropriate;
- Be responsible for co-ordination of the internal and external auditors;
- Oversee any investigation of activities which are within its terms of reference;
- Work and liaise as necessary with all other Board Committees; and
- Arrange for periodic reviews of its own performance and, at least annually, review its Charter and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

## **12 Authority**

12.1 The Committee is authorised to:

- Seek any information it requires from any employee of the Company in order to perform its duties;
- Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so;
- Call any employee to be questioned at a meeting of the Committee as and when required; and
- Have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

12.2 Any disagreement within the Board, including disagreement between the Committee members and the rest of the Board should be resolved at Board level.