

# **CAPITAL HOTELS PLC**

## **STATUTORY AUDIT COMMITTEE CHARTER**

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### **1.0 PURPOSE**

The **Statutory Audit Committee** (the “Committee”) of Capital Hotels Plc. (“CHP”) is set up in accordance with section 359(3) and (6) of the Act.

The Statutory Audit Committee is a key corporate governance structure charged with oversight functions over financial reporting and disclosure. The Committee undertakes such roles and responsibilities provided for under the Act, SEC Code as well as such other functions as set out in this Charter.

The Statutory Audit Committee oversees the accounting and financial reporting process of CHP to give assurance to the shareholders and the general public that the financial statements are well prepared (i.e. represents a true and fair view of the Company’s financial position) and same was prepared in compliance with relevant accounting standards as well as legal and other regulatory requirements.

### **2.0 GENERAL PROVISIONS**

The Statutory Audit Committee shall have unrestricted access to CHP’s records and personnel and such shall be provided with resources necessary to discharge its responsibilities

In carrying out the Committee’s responsibilities, each member of the Statutory Audit Committee shall be entitled to rely in good faith on information, opinions, reports, statement or other financial data prepared and presented by persons who the Statutory Audit Committee reasonably believes to be reliable and competent in the matters presented, which persons may include- executive staff members of CHP, persons of professional competence, other Committee Board members as the case may be.

It is not the duty of the Committee to plan or conduct audits, administer legal matters or to prepare the Company's financial statements and disclosures. These are the responsibilities of management and the Independent Auditors.

#### **2.1 Membership/ Composition of the Committee**

The Committee shall have six members, three of whom shall be Non-Executive Directors of the Company, and the other three shall be representatives of the shareholders.

### **3.0 ELECTION AND REMOVAL OF MEMBERS OF COMMITTEE**

- 3.1** The members of the Committee shall be elected by the shareholders at the Annual General Meeting of the Company and stay in office to the next Annual General Meeting.

**3.2** Any member may nominate a shareholder as a member of the Statutory Audit Committee by giving notice in writing of such nomination to the Secretary of the Company at least 21 days before the Annual General Meeting.

**3.3** Each member of the Committee shall diligently serve on the committee until such member resigns, is removed or ceases to be a member of the Board/ shareholder of the Company.

#### **4.0 FILLING OF CASUAL VACANCY**

If any member on the Committee is unable to act for any reason or there exists a causal vacancy in the Committee, the Board shall elect another Non-Executive Director of the Company or member (as the case may be) to hold office till the next AGM where elections shall be held.

#### **5.0 CHAIRPERSON OF THE COMMITTEE**

The chairperson of the Committee shall be elected by the members at the first meeting following the AGM of the Company at which shareholder representatives on the Committee are elected.

#### **6.0 COMMITTEE RULES OF PROCEDURE**

**6.1 Committee Meetings.** The Committee shall, unless exigencies demand, meet not more than four times in a year to carry out its duties and responsibilities under this Charter.

##### **6.1b Virtual Meetings**

Virtual meetings are permissible in accordance with the Guidelines on Companies virtual Board, Committees and Management Meetings issued by the Nigerian Stock Exchange (NSE) on 15<sup>th</sup> April, 2020.

**6.2** Members of the Committee who are unable to physically attend may participate in a meeting of the Committee by means of telephone conference call or similar communications equipment by means of which all persons participating in the meeting can hear each other. Subject to the requirements of any applicable law, regulation or rule, any action required or permitted to be taken at a meeting of the Committee may be taken without a physical meeting if consent in writing, setting forth the action so taken, is signed by all of the members of the Committee. Such written consent shall have the same force as a unanimous vote of the Committee.

**6.3** Committee members may raise any subjects that are not set on the agenda.

#### **7.0 ATTENDANCE BY REQUEST**

**7.1** The Committee may invite any officer or employee of CHP, or any representative of CHP's advisors, to attend any meetings and to provide such pertinent information as the Under the direction of the Chairperson, the Company Secretary's responsibilities

include ensuring good information flows within the Board and its committees and between senior management and non-executive Directors.

The Company Secretary shall be properly empowered by the Board to discharge his duties and responsibilities.

The appointment and **termination** of the appointment of the Company Secretary shall be a matter for the Board.

## **8.0 QUORUM**

A majority of the members of the Committee shall constitute a quorum to transact business. The affirmative vote of a majority of the members of the Committee present at the time of such vote shall be required to approve any action of the Committee.

## **9.0 SECRETARY TO THE COMMITTEE**

The Company Secretary or any other member so designated shall serve as Secretary to the Committee and shall keep records of its proceedings.

## **10.0 MINUTES OF MEETING**

The Committee shall keep minutes of all meetings held and regularly submit approved minutes to the Board.

## **11.0 EXECUTIVE SESSIONS**

At any meeting of the Committee, an opportunity shall be provided for any member of the Committee to request that the Committee meets in executive session during such meeting. “Executive session” shall mean a session at which the members of the Committee meets without the attendance of Officers or employees of CHP, Legal Counsel, Advisors or other nonmembers of the Committee.

## **12.0 REPORTING**

The Chairperson or any member of the Committee shall at Board Meetings present to the Board a report (either oral or written) of the committee’s discussions. The Committee shall also ensure that the decisions and recommendations of the Committee to the Board receive the ratification or/and approval of the Board before these are implemented.

## **13.0 REMUNERATION OF COMMITTEE MEMBERS**

In compliance with Section 359(4) of the Act members of the Committee shall not be entitled to remuneration and shall be subject to re-election annually.

## **14.0 COMMITTEE AUTHORITY**

### **i. Retaining and Compensating Consultants/Advisors**

The Committee shall have the authority to retain, at CHP’s expense, a Consultant/Adviser to assist it in carrying out its duties as necessary. The Committee shall recommend to the Board for approval the related fees and retention terms of any such Adviser.

**ii. Access**

The Committee shall have unrestricted access to CHP's personnel, Internal Audit Function, and documents and the resources necessary to carry out its responsibilities.

**iii. Subcommittees**

The Committee may form and delegate authority to subcommittees if deemed appropriate, subject to any restrictions imposed by any applicable regulatory or stock exchange requirements.

**15.0 DUTIES AND RESPONSIBILITIES**

Subject to such other additional functions and powers that the Company's articles may stipulate, the objectives and functions of the Statutory Audit Committee shall be to:

- i. Ascertain whether the accounting and reporting policies of the Company are in accordance with legal requirements and agreed ethical practices;
- ii. Preview the scope and planning of audit requirements;
- iii. Preview the findings on management matters in conjunction with the External Auditor and departmental responses thereon;
- iv. Keep under review the effectiveness of the Company's system of accounting and internal control;
- v. Make recommendations to the Board in regard to the appointment, removal and remuneration of the External Auditors of the Company;
- vi. Authorize the Internal Auditor to carry out investigations into any activities of the Company which may be of interest or concern to the Committee.
- vii. The Statutory Audit Committee Report, the opinion expressed and the recommendations made therein to shareholders must be predicated on, and evidenced by the work done by the Committee, verifiable where necessary, by regulatory action.
- viii. The Committee shall make whatever recommendations it deems fit and appropriate to the Board on any area within its remit where action or improvement is needed. The Committee shall produce a report on its activities to be included in the Company's annual report.
- ix. The Committee shall make recommendations arising from review of financial statements at the Annual General Meeting (AGM) of the Company.
- x. Notwithstanding the functions stated above, the Committee shall have the following additional responsibilities:

- a.** Exercise oversight over the integrity of the Company's financial statements, compliance with legal and other regulatory requirements, assessment of qualifications and independence of external auditor, and performance of the Company's internal audit function as well as that of external auditors;
- b.** Work with the internal audit function and ensure there are other means of obtaining sufficient assurance of regular review or appraisal of the system of internal controls in the Company;
- c.** Ensure the development of a comprehensive internal control framework for the Company, obtain assurance and report annually in the financial report, on the operating effectiveness of the Company's internal control framework;
- d.** Oversee the process for the identification of significant fraud risks across the Company and ensure that adequate prevention, detection and reporting mechanisms are in place;
- e.** At least on a quarterly basis, obtain and review a report by the internal auditor describing the strength and quality of internal controls including any issues or recommendations for improvement, raised by the most recent internal control review of the Company;
- f.** Discuss the annual audited financial statements with management and External Auditor's;
- g.** Discuss policies and strategies with respect to risk assessment and management;
- h.** Meet separately and periodically with management, Internal Auditors and External Auditors;
- i.** Review and ensure that adequate whistle-blowing procedures are in place and that a summary of issues reported are highlighted to the Chairman of the Committee;
- j.** Review, with the External Auditor, any Audit scope limitations or problems encountered and management's responses to same;
- k.** Review the Independence of the External Auditors and ensure that where approved non-audit services are provided by the External Auditors, there is no conflict of interest;
- l.** Preserve auditor independence, by setting clear hiring policies for employees or former employees of Independent Auditors;
- m.** Consider any related party transactions that may arise within the Company or group;

- n. Invoke its authority to investigate any matter within its Charter for which purpose the Company must make available the resources to the Internal Auditors with which to carry out this function, including access to external advice where necessary; and
- o. Advise the management on findings that will improve the economic outlook of the Company.

#### **16.0 CONFLICT OF INTEREST**

A member(s) of the Committee will not participate in discussions and will not vote on any issue in respect of which he or she is interested or has an actual or perceived conflict of interest.

#### **17.0 COMMITTEE WORK PLAN**

The Committee shall annually develop a work plan to identify and set timeframes for the duties it is responsible for performing according to the Act or Article and of Association of the Company. It shall regularly monitor its compliance with performing such duties within the timeframes specified in the work plan.

#### **18.0 RELIANCE ON MANAGEMENT AND OTHERS**

The Committee is entitled to rely in good faith on information and advice provided to it by Management, Advisors/Consultants, External Auditors, and such other persons as the Committee considers appropriate.

#### **19.0 ANNUAL PEROMANCE EVALUATION**

On an annual basis, the Committee shall follow the process established by it and adopted by the Board for assessing the performance and effectiveness of the Committee.

#### **20.0 WHISTLE BLOWING**

The objective of whistle-blowing is to encourage stakeholders to bring unethical conduct and violations to the attention of an internal and/or external authority so that action can be taken to verify the ethical violation, apply appropriate sanctions and avoid reoccurrence.

This will minimize a Company's exposure to damage that can occur when internal mechanisms are abused or circumvented. It will also demonstrate to stakeholders the criticality of adherence to codes of ethics and conduct.

All unethical conducts and gross violations of laid down procedures shall be reported to the Statutory Audit Committee of CHP through a dedicated email address. (*ethicalissues@capitalhotelsng.org*).

The Head of the Internal Audit function shall review reported cases and bring the reports thereon to the Statutory Audit Committee for necessary action.

A disclosure is deemed to have been made if the whistle-blower makes the disclosure to the appropriate internal authority of the Company or external regulator provided that such disclosure, even if made anonymously, is in respect of matters which he believes to be:

- (a) True;
- (b) Reasonable;
- (c) Made in good faith; and
- (d) Can be investigated.

Information so disclosed shall be kept confidential and the identity of the whistle blower kept secret to ensure he does not come to any harm. Where breach of the confidentiality of information occurs and the whistle blower suffers any harm, he shall be compensated adequately. Where however false and malicious complaints are reported under this policy, adequate measures shall be taken to address the complainant.

## **21.0 CHARTER REVIEW**

The Committee shall review and assess the adequacy of this Charter annually and subject to Board approval amend the charter to reflect carrying out any changes it may deem appropriate, including to account for best practice guidelines recommended by, and to ensure compliance with any rules or regulations disseminated by, the regulatory authorities, to the extent appropriate for Capital Hotels Plc.

## **22.0 WEBSITE POSTING**

This Charter shall be included on Capital Hotels Plc. website and shall be made available in print upon request sent to Capital Hotels Plc. Company Secretary.

Date approved: 27<sup>th</sup> March, 2018.