

CAPITAL HOTELS PLC

CHARTER OF THE

STATUTORY AUDIT COMMITTEE

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 Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004. Working in concert with the external audit firm, the internal audit function and interfacing with management, the Statutory Audit Committee oversees the financial reporting process of CHP to give assurance to the shareholders of CHP and the general public that the financial statements are well prepared and that they comply with laws and regulations. Its basic objective is to provide oversight for the orderly conduct of the business of the company. It shall also undertake such other functions as are set out in this Charter or as may otherwise be assigned by legislation and/or regulation.

2.0 MEMBERSHIP

2.1 Composition of 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.

2.2 Election and removal of members of committee

Any member may nominate a shareholder as a member of the 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 (S.359(5) CAMA).

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.

Each member of the Committee shall serve at the pleasure of the shareholders at the AGM until the member resigns, is voted out, or ceases to be a member of the Board/ shareholder of the Company. The Board may fill casual vacancies on the Committee by appointment from among qualified members, and such appointee shall hold office till the next AGM where elections shall be held.

2.3 Committee chairperson

The Chairperson of the Committee shall be elected annually from amongst its members at the first meeting of the Committee after the AGM. The Chairperson must be a Chartered Accountant, being a member of the Institute of Chartered Accountants of Nigeria (ICAN) or Association of National Accountants of

Nigeria (ANAN) and who is duly registered with the Financial Reporting Council of Nigeria (FRC).

3.0 COMMITTEE RULES OF PROCEDURE

i. 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.

The Committee may ask 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 Committee may request or to meet with any member(s) or representative(s) of the Committee.

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.

Members of the Committee 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.

Committee members may raise any subjects that are not set on the agenda. The Company Secretary or any other member so designated shall serve as secretary to the committee and shall keep records of its proceedings.

ii. Executive Sessions

At any meeting of the Committee, an opportunity shall be provided for any member of the Committee to request that the Committee meet in executive session during such meeting. "Executive session" shall mean a session at which the members of the Committee meet without the attendance of officers or employees of CHP, legal counsel, advisors or other nonmembers of the Committee.

iii. Reporting

The Committee shall regularly report directly to the Company at the Annual General Meeting with respect to the Committee's activities.

4.0 REMUNERATION OF COMMITTEE MEMBERS

In compliance with Section 359(4) of the Companies and Allied Matters Act, Cap C20, LFN 2004, members of the Committee shall not be entitled to remuneration and shall be subject to re-election annually.

5.0 COMMITTEE AUTHORITY

i. Retaining and Compensating Consultants/Advisors

The Committee shall have the authority to retain, at CHP's expense, a consultant 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 Advisor.

ii. Access

The Committee shall have reasonable 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 by the Committee, subject to any restrictions imposed by any applicable regulatory or stock exchange requirements.

6.0 DUTIES AND RESPONSIBILITIES

Subject to such other additional functions and powers that the company's articles of association may stipulate, the objectives and functions of the audit committee shall be to:

- 6.1 ascertain whether the accounting and reporting policies of the company are in accordance with legal requirements and agreed ethical practices;
- 6.2 review the scope and planning of audit requirements;
- 6.3 review the findings on management matters in conjunction with the external auditor and departmental responses thereon;
- 6.4 keep under review the effectiveness of the company's system of accounting and internal control;
- 6.5 make recommendations to the Board in regard to the appointment, removal and remuneration of the external auditors of the company; and
- 6.6 authorise the internal auditor to carry out investigations into any activities of the company which may be of interest or concern to the committee.
- 6.7 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 auditors;
- 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.

6.8 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.

7. 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 and/or Memorandum and Articles of Association of the Company. It shall regularly monitor its compliance with performing such duties within the timeframes specified in the work plan.

8. RELIANCE ON MANAGEMENT AND OTHERS

The Committee is entitled to rely in good faith on information and advice provided to it by management, advisors, external auditors, consultants and such other persons as the Committee considers appropriate.

9. ANNUAL PERFORMANCE 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.

10. CHARTER REVIEW

The Committee shall review and assess the adequacy of this Charter annually and carry 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.

11. 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 (e.g. *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 measure shall be taken to address the complainant.

12. 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 29th June 2018