



# BOARD AUDIT AND COMPLIANCE COMMITTEE CHARTER

## 1. CONSTITUTION

The Board having resolved established a Board committee known as the Audit and Compliance Committee.

## 2. PURPOSE

The Audit and Compliance Committee was established to assist the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

The Committee should:

- Serve as an independent and objective party to monitor the Company's financial reporting process and internal financial and business control systems.
- Review the effectiveness of the overall process for identifying and managing principal business risks and adequacy of the related disclosure.
- To review and assess the audit findings of the Company's external and internal auditors.
- Provide an open avenue for communication amongst the external auditors, management the internal auditors and the board.

The Chairman must ensure that there is adequate co-operation within the group and the audit committee is kept properly informed.

## 3. AUTHORITY

The Audit and Compliance Committee has the authority to conduct or authorize investigations into any matters within its scope of responsibility. The Committee, through the Chair, is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.



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- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with company officers, external auditors, or outside counsel, as necessary.

### 4. MEMBERSHIP

The Audit and Compliance Committee comprises at least three (3) Independent Non-executive Directors. The Chair of the committee shall be an independent non-executive director and the constitution of the committee members a majority of Independent Non-Executive Directors

There shall be a minimum of three persons in this committee. The Committee Chairperson should have the necessary experience/knowledge on Finance and Accounting matters to guide the Committee.

The term for Independent directors to serve on the Board is seven (7) years after which they are required to resign and will not be eligible for re-appointment.

The Chairman, through the Company Secretary, must ensure that the directors of the Board and specifically the members of the Audit and Compliance Committee possess the following:

- Requisite Knowledge and behavior to be effective;
- Understanding the core business, business model and risks;
- Understanding the company's risk appetite;
- Understanding of how assurance is gained that is the interaction between the various sources of assurance available to it and how these sources map to the significant risks of the organization;
- Understanding of financial reporting;
- Understanding the laws and regulations;
- Ongoing personal development to remain up to date -skills and knowledge must be in place.

The Committee Chair must ensure that discussions are probing and the debate on an issue is robust to ensure that robust discussions are encouraged.

Members of the Committee must ensure that they have sufficient time and are committed to undertake the responsibilities.



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### **5. MEETINGS**

The Audit and Compliance Committee shall hold at least four meeting per year and any other meetings the Chairman as deemed necessary.

The Audit and Compliance Committee will agree on an annual schedule of meetings and the principal items to be discussed at these meetings.

The Chairman ensures that there is a structured and appropriate annual agenda of matters to be discussed in each meeting and across the year, thus ensuring that the agenda items will focus on the right areas.

The quorum for Audit and Compliance Committee meetings is three (3) and must include at least two (2) Independent Non- executive directors.

The notice and agenda of meetings will include relevant supporting papers as appropriate.

Audit and Compliance Committee meetings will generally be held at the offices of the company, but may also take place elsewhere. The length of meeting times should be sufficient and the supporting papers circulated with the Agenda for the meeting should be concise, relevant and timely, giving members enough time to review.

The Audit and Compliance Committee may invite the CEO, the CFO, the Chief HR Officer and any other officers to the meetings. The Committee may invite any other persons to attend as it sees fit, and consult with other persons or seek any information it considers necessary to fulfill its responsibilities.

### **6. VOTING**

Any matters requiring a decision will be decided by a majority of votes of members present.



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### **7. SECRETARIAT DUTIES**

The Company Secretary or his or her nominee shall act as the secretary of the committee. The Secretary duties and responsibilities shall be to keep full and complete records of the proceedings of the Committee for the purposes of reporting Committee activities to the Board of Directors.

### **8. NOTICE OF MEETINGS**

Meetings of the committee shall be called by the secretary of the committee at the request of the committee chairman or by a member(s) requesting the meeting.

Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors, no later than [five] working days before the date of the meeting. Supporting papers shall be sent to committee members and to other attendees, as appropriate, at the same time.

### **9. MINUTES OF MEETINGS**

The secretary shall minute the proceedings of meetings including all resolutions tabled along with the names of those present and in attendance. The minutes of the meeting will be approved by the members who were present at the subsequent Committee meeting and signed and dated by the Chair.

The Committee Chair will table a report from the audit committee, containing the outcome of deliberations to the following Board of Directors meeting.

The minutes of the Audit and Compliance Committee shall be dispatched to the members within 20 working days after the meeting.



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## 10. RESPONSIBILITIES

The committee will carry out the following responsibilities:

### Financial Statements

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- Review with Management and the External Auditors the results of the audit, including any difficulties encountered;
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles;
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information;
- Review with Management and the External Auditors all matters required to be communicated to the committee under generally accepted auditing *Standards*;
- Understand how management develops interim financial information, and the nature and extent of internal and external auditor involvement;
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members;
- Conduct private meetings with the external auditor outside the presence of management;

### Internal Control

- Consider the effectiveness of the Company's internal control system, including information technology security and control;
- Understand the scope of Internal and External Auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with Management's responses;



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### Internal Audit

- Review with Management and the Chief Audit Executive the charter, activities, staffing, and organizational structure of the internal audit function;
- Have final authority to review and approve the annual audit plan and all major changes to the plan;
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive;
- At least once per year, review the performance of the internal auditor and concur with the annual compensation and salary adjustment;
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing consisting of the Definition of Internal Auditing, Code of Ethics and the Standards*;
- Review of the effectiveness of risk management and internal control systems – financial , operational and compliance controls;
- On a regular basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately;
- The committee meets with the Company's legal counsel to discuss any legal matter which could significantly impact the financial statements;

### External Audit

- Review the External Auditors' proposed audit scope and approach, including coordination of audit effort with internal audit;
- Review the performance of the External Auditors, and exercise final approval on the appointment or discharge of the Auditors;
- Review and confirm the independence of the External Auditors by obtaining statements from the Auditors on relationships between the Auditors and the Company, including non-audit services, and discussing the relationships with the Auditors;
- On a regular basis, meet separately with the External Auditors to discuss any matters that the Committee or Auditors believe should be discussed privately;



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- Recommend to the Board on the appointment, re-appointment or removal of the External Auditors;
- Where the Board accepts the Committee's recommendation to appoint new Auditor the Committee to oversee this process;

### Whistleblowing

- Develop, implement and review annually the Company's Whistleblowing policy;
- Monitor and report on investigations initiated from Whistleblowing;

### Compliance

- Review the effectiveness of the compliance monitoring systems, specifically with laws and regulations, and the results of Management's investigation and follow-up (including disciplinary action) of any fraudulent acts or any instances of noncompliance;
- Review and monitor the company's techniques to counter money laundering and other exposures to criminal activities;
- Review the findings of any examinations by regulatory agencies, and any auditor observations;
- Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith;
- Obtain regular updates from management and company legal counsel regarding compliance matters;

### Reporting Responsibilities

- Regularly report to the Board of Directors about Committee activities, issues, and related recommendations. Be sufficiently involved in monitoring the integrity of the financial statements and formal announcements throughout the year, including quarterly and half year results;
- Provide an open avenue of communication amongst Internal Audit, the External Auditors, and the Board of Directors;



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- Report annually to the shareholders, describing the Committee's composition, responsibilities and how they were discharged, and any other information required by rules, including approval of non-audit services;
- Review any other reports the company issues that relate to committee responsibilities;

### Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Directors;
- Institute and oversee special investigations as needed;
- Review and assess the adequacy of the Committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation;
- Confirm annually that all responsibilities outlined in this charter have been carried out;
- Evaluate the Committee's and individual members' performance on a regular basis.

### **11. REPORTING PROCEDURES**

The Company Secretary shall circulate the minutes of meetings of the Committee to all members and the Committee Chairperson or, as a minimum, another member of the Committee, shall attend the Board meeting at which the accounts are approved.

The Committee members shall conduct an annual review of their work and these terms of reference and make recommendations to the Board.

The Chairperson shall attend the Annual General Meeting and shall answer questions, through the Chairperson of the Board, on the Committee's activities and their responsibilities.



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### **12. REVIEW OF CHARTER**

The Committee should arrange for periodic review of its own performance and their charter, at least annually, to:

- Provide assurance that it remains consistent with the Board's objectives and responsibilities.
- Ensure its constitution and terms of reference is operating at maximum effectiveness
- To recommend any changes it considers necessary to the board for approval

The Board shall approve or further review the charter.

The text of the Committee charter shall be published on the website of the company.

### **13. OTHER MATTERS**

The committee shall:

- 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 programme for new members and on an ongoing basis for all members;
- Give due consideration to laws and regulations, the provisions of the PSOJ Code on Corporate Governance, the requirements of the JSE Rules and any other applicable Rules, as appropriate;
- Have a well –defined and robust process documented, including sufficient review of Management's proposals, to allow it to advise the board on whether the annual report taken as a whole is fair, balanced and understandable;
- Conduct an annual effectiveness review.