

MAHUBE INFRASTRUCTURE LIMITED

***AUDIT AND RISK COMMITTEE
TERMS OF REFERENCE***

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- **Annexure A**

1. INTRODUCTION

The Board of Directors (hereinafter referred to as the “**Board**”) of Mahube Infrastructure Limited (hereinafter referred to as “**Mahube**” or as “**the Company**” or as “**the Group**”) has resolved to establish a Committee of the Board to be known as the "Audit and Risk Committee" (hereinafter referred to as “**the Committee**”) to act in the capacity of an Audit and Risk Committee for Mahube and all its subsidiaries.

The Committee is constituted in terms of the South African Companies Act No 71 of 2008 (“the Companies Act”) as amended from time to time, the JSE Listings Requirements and in accordance with the Company’s Memorandum of Incorporation (“MOI”), (the risk element is regarded as good governance in terms of the King Code on Corporate Governance, as amended from time to time (“King”) and best practices in corporate governance).

It is the Committee’s principal regulatory duty to oversee the integrity of the Group’s internal control environment, and to ensure that financial statements are compliant with International Financial Reporting Standards (“IFRS”), and other relevant legislation and fairly present the financial position of the Group and Company and the results of their operations. The Committee provides regular reports to the Board, which assumes ultimate responsibility for the functions performed by the Committee, relating to the safeguarding of assets, accounting systems, practices, internal control processes and the operation of adequate risk management processes.

2. PURPOSE OF THE TERMS OF REFERENCE

The purpose of this Terms of Reference is to outline the Committee’s responsibilities, as well as the requirements for its composition, meeting procedures, remuneration of members, performance evaluation and other matters relevant to the proper functioning of the Committee. The Terms of Reference is to be periodically reviewed and modified to ensure that it remains effective. The Committee has an independent role with accountability to both the Board and shareholders.

3. COMPOSITION

At each annual general meeting, the Board shall present the shareholders with at least three suitable candidates from amongst the independent non-executive directors of the Company, for election as Committee members.

3.1 The Board will determine the size of the Committee which shall –

- 3.1.1 Comprise of at least 3 (three) independent non-executive directors of the Company;
- 3.1.2 Each member of the Committee shall meet applicable independence and financial literacy requirements to ensure that the Committee as a whole comprises of persons with adequate and relevant knowledge and experience to equip the Committee to perform its functions and fulfil its statutory obligations.
- 3.1.3 The Chairperson of the Board shall not be eligible to serve as a member of the Committee;
- 3.1.4 The Chairperson of the Committee, who shall be an independent non-executive director, will be appointed by a resolution of the Board;
- 3.1.5 In appointing directors to serve on the Committee, consideration should be given to amongst others, their knowledge of financial matters;
- 3.1.6 The Board shall determine the period for which the Chairperson and Committee members shall hold office;
- 3.1.7 A Committee member, who holds office as a director of the Board, will automatically cease to be a member of the Committee upon resignation from the Board;
- 3.1.8 A member may resign at any time by giving due notice to the Company Secretary and the Chairperson of the Board.

3.2 Secretary

The secretary of the Company shall be the secretary of the Committee.

4. DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The duties and responsibilities of the Committee is set out in Annexure A.

5. MEETING PROCEDURES

5.1 General

The Chairperson of the Committee has the right to exclude any items to be discussed while attendees are present where a conflict of interest becomes evident. Special meetings may be called by any member of the Committee (including at the request of the Chief Executive Officer, Chief Financial Officer, the external or internal auditors, the chief audit executive or other members of Senior Management or legal advisors) or at the instance of the Board, where such further meeting is considered necessary.

5.2 Quorum and attendance at meetings

- 5.2.1 A representative quorum for meetings is a majority of Committee members present in person or *via* telecom facilities. A decision shall be considered passed if the majority of members present (in person or *via* telecom facilities) vote in favour of a resolution;
- 5.2.2 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings, neither do they have a vote at the meeting;
- 5.2.3 The Chairperson shall have a casting vote, if required;
- 5.2.4 Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad hoc*-basis for special matters, unless prior apology, with reasons, has been submitted to the Chairperson of the Committee or the Company Secretary;
- 5.2.5 The Chief Executive Officer, Chief Financial Officer and representatives of the external auditors and internal auditors shall be permanent invitees to the Committee meetings and shall have unrestricted access to the Chairperson or any other member of the Committee as may be required in relation to any matter falling within the remit of the Committee;
- 5.2.6 The Chairperson, at his/her discretion, may invite other executives and managers to attend and to be heard at meetings of the Committee;
- 5.2.7 A decision that could be voted on at a meeting may instead be adopted by a written resolution provided a quorum of the Committee members is obtained, if decision making in such manner

shall not detract from the requirements for frequency of meetings as set out herein. A decision made in such a manner has the same effect as if it had been approved at a meeting.

- 5.2.8 If the Chairperson of the Committee is not present within thirty minutes of the scheduled start time of the meeting or is unable to attend a meeting, the Committee members present shall nominate an acting Chairperson from among themselves;
- 5.2.9 Where decisions are required by way of written resolution, a quorum shall constitute the majority of members, one of whom must be the Chairperson of the Committee;
- 5.2.10 If a member is unable to act for any reason, and there is no quorum for the Committee to deliberate on a matter before it, then the Chairperson may, in consultation with the Board Chairperson, co-opt another independent director as an additional member;
- 5.2.11 Meetings may be held in person, by telephone, videoconference or any other form of electronic means that would prove efficient, provided that the required quorum is met. All persons shall be deemed to be present at the meeting;
- 5.2.12 The Committee may invite any person it deems appropriate to attend any of its meetings.

5.3 Frequency of meetings

- 5.3.1 The Committee shall hold sufficient scheduled meetings to discharge its duties as set out in these Terms of Reference but subject to a minimum of three meetings per year. The meetings shall be convened by the Secretary of the Committee on approval by the Chairperson;
- 5.3.2 There should be at least one meeting a year, or part thereof, where the Committee meets the external auditors without executive Management and executive Board members present;
- 5.3.3 There should be sufficient time set aside for each meeting so that the Committee can fulfil its obligations and there should be a reasonable interval between Committee and Board meetings to allow for the satisfactory follow up of matters and action items.

5.4 Agenda and Minutes

The Committee should establish an annual work plan that will ensure that all relevant matters are covered on its agendas and planned meetings. Steps should be taken to give priority to matters of a critical nature whilst other matters may be dealt with on a rotation basis as deemed appropriate by the Committee. The agendas of quarterly meetings are to be determined in accordance with the annual work plan.

5.4.1 The Chairperson shall approve the agenda in consultation with the Chief Executive Officer. A detailed agenda, together with supporting documentation must be distributed at least seven days prior to the date of the meeting to the members of the Committee and other invitees. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.

5.4.2 The Company Secretary is responsible for arranging the meetings of the Committee and gathering and distribution of the agenda papers. The Company Secretary should prepare draft minutes of the meeting for review within ten business days of the meeting. Copies of the revised minutes must be distributed to all attendees and other relevant parties within one month of the date of the meeting.

5.4.3 The minutes must be formally approved by the Committee at its next scheduled meeting.

6 AUTHORITY AND ACCOUNTABILITY

6.1 The Committee has powers to make decisions in relation to its statutory duties and is accountable to the Board. Any further duties assigned to it by the Board will require the Committee to make recommendations to the Board for approval, unless the Board has delegated specific authority to the Committee;

6.2 The Committee has the authority to seek any information that it requires from any officer or employee of the Company;

6.3 As per section 94 of the Companies Act, the audit committee, in carrying out its duties, has powers to consider and make decisions on:

6.3.1 investigate any activity within its scope of responsibilities;

6.3.2 consult with or request any information it requires from any employee, who shall be obliged to co-operate with the Committee;

- 6.3.3 access internal or external resources to properly carry out its duties;
- 6.3.4 obtain independent professional advices at the Company's expense, if it believes this is necessary to fulfil its duties. Such advisors may attend meetings at the invitation of the Chairperson;
- 6.3.5 access relevant Company records, facilities and any other resources necessary to discharge its duties and responsibilities;
- 6.3.6 delegate its authority and duties, in so far as it is not precluded from doing so by legal or regulatory requirements, to other Board committees, working groups or other persons, including employees or individual members of the Committee; and
- 6.3.7 make recommendations to the Board for approval.

6.4 The Committee may not perform any management functions or assume any management responsibilities and shall have no executive powers with regards to its findings and recommendations.

6.5 The Committee is accountable to the Board and must submit reports to the Board of its roles and responsibilities, including any recommendations it may wish to make to the Board for consideration.

6.6 The Board authorises the members of the Committee, within the scope of their responsibilities and through or after consultation with the Chairperson of the Committee, to call a meeting of the Board.

6.7 The Committee may delegate any of its duties or responsibilities as it deems appropriate, to any of its members or sub-committee of its members, to such other persons, including staff of the Finance or Legal departments or any other department, subject to the Committee's direction and supervision and with the express condition that the Committee retains full and exclusive authority over and responsibility for any activities of such other person or persons. Nothing contained in this paragraph shall be construed to confer upon any such person any discretion, authority or control respecting any matter, unless expressly authorised in writing.

7 OVERLAP AND EFFICIENCY OF ALL COMMITTEES

The Committee must take cognisance that its roles and responsibilities may overlap with those of other Board sub-committees. In instances where the Committee needs to exercise oversight on matters handled by other sub-committees or where there is a clear overlap, the Chairperson of the Committee should agree with the relevant committee chairperson/chairperson as to which committee shall deal with the matter and report to the Board. Duplication of roles and responsibilities' must be avoided.

8 REPORTING BY THE COMMITTEE

8.1 The Chairperson of the Committee shall make a brief report of the findings and recommendations of the Committee to the Board after each Committee meeting. The Chairperson of the Committee shall ensure that the Board is aware of matters which may impact significantly on the financial position of the Company.

8.2 The Chairperson of the Committee has to prepare a report –

8.2.1 to be included in the Integrated Annual Report for that financial year describing how the Committee carried out its functions during a particular period.; and

8.2.2 The Chairperson of the Committee or, in his/her absence, any other member of the Committee, shall be in attendance at the Annual General Meeting of shareholders to respond to any questions on the report of the Committee's activities, matters within the scope of the Committee's responsibilities and any other issues that relate to the work of the Committee.

9 ACCURACY OF INFORMATION

Except to the extent of legal or regulatory provisions to the contrary, Committee members, being independent or non-independent members, are entitled to rely on the Company's executives in relation to matters within their areas of expertise and may assume the accuracy of information provided by such persons, provided that the Committee member is not aware of any reasonable grounds upon which reliance or assumption may be inappropriate.

10 CONFLICTS OF INTEREST

10.1 The Committee shall consistently apply the provisions of the Companies Act on the disclosure and/or avoidance of any conflicts of interest. Committee members shall be required to declare their interests in general on an annual basis and specifically at each meeting of the Committee;

10.2 The Committee shall –

10.2.1 in respect of each Committee member, review any interests a member may have which conflict or may conflict;

10.2.2 make recommendations to the Board as to whether any such conflict should be authorised and, if so, as to the terms and conditions under which any such authorisation should be given by the Board;

10.2.3 review on a regular basis any authorisation given by the Board in order to determine whether the authorisation given should stand on the terms and conditions on which it was given or whether additional terms and conditions should be imposed or whether the authorisation should be revoked (subject to giving the relevant member notice of the proposed revocation); and

10.2.4 in the case of a review of the interests of a member, the affected member shall not participate in the review or in discussions or decisions of the Committee relating to that member.

11 ANNUAL EVALUATION

11.1 The Committee shall at least annually evaluate itself, the performance of the Committee and its members, including an evaluation of the Committee's compliance with these Terms of Reference, as well as evaluate the external and internal auditors, where applicable.

11.2 The Committee may conduct such evaluation and reviews in such manner as it considers appropriate.

11.3 The Board must annually evaluate the Committee's performance in terms of its composition, mandate and effectiveness.

12 APPROVAL OF THESE TERMS OF REFERENCE

The Terms of Reference was approved by the Board on _____. The Chairperson of the Board and the Chairperson of the Committee was authorised to sign the Terms of Reference. The Terms of Reference will be due for review in _____.

Signed by the Chairperson of the Board on _____ at _____ 2020.

Chairperson of the Board

and

Signed by the Chairperson of the Committee on _____ at _____ 2020.

Chairperson of the Committee

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

1. Statutory Duties in terms of the Companies Act No. 71 of 2008, as amended

- 1.1. Nominate, for appointment as auditor of the Company, a registered auditor, who in the opinion of the Committee, is independent of the Company;
- 1.2. Determine the fees to be paid to the auditor and the auditor's terms of engagement;
- 1.3. Ensure that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors;
- 1.4. Determine the nature and extent of any non-audit services that the auditor may provide to the Company, or that the auditor must not provide to the Company, or a related company;
- 1.5. Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Company;
- 1.6. Prepare a report, to be included in the annual financial statements for that financial year:
 - 1.6.1. describing how the Audit Committee carried out its functions;
 - 1.6.2. stating whether the Audit Committee is satisfied that the auditor was independent of the Company; and
 - 1.6.3. commenting in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Company;
- 1.7. Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its initiative relating to:
 - 1.7.1. the accounting practices and internal audit of the Company;
 - 1.7.2. the content or auditing of the Company's financial statements;
 - 1.7.3. the internal financial controls of the Company; or
 - 1.7.4. any related matter;
- 1.8. Make submissions to the Board on any matter concerning the Company's accounting policies, financial controls, records and reporting; and
- 1.9. Perform such other oversight functions as may be determined by the Board.

2. Duties relating to external auditors

- 2.1. Annually assess the qualifications, expertise and resources of the external audit firm and review the effectiveness of the external audit process and the responsiveness of management to the audit findings as well as receive a report from the external auditors on their own internal quality process;
- 2.2. Review letters of management representations requested by the external auditors in relation to the financial statements in the annual and interim reports, annual report on Form 20-F and other public documents;
- 2.3. Ensure that there is a process for the Committee to be informed of any Reportable Irregularities (detailed in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- 2.4. Review other material communications between management and the external auditor(s), including the schedule of unadjusted audit differences;
- 2.5. Investigate, when applicable, the issues leading to the resignation of the external auditor and decide whether any action is required; and
- 2.6. Review with the external auditor(s) any problems or difficulties relating to their work and management's responses.

3. Duties relating to Internal Audit

- 3.1. Approve the appointment and removal of the Group's Head of Internal Audit;
- 3.2. Monitor and review the performance and effectiveness of the Group's internal audit function in the context of its overall risk management system;
- 3.3. Review and approve the annual internal audit plan;
- 3.4. Annually review and approve the internal audit charter;
- 3.5. Review and confirm the independence of the internal audit function on an annual basis;
- 3.6. Consider the major findings and recommendations of any internal audit and forensic investigations and management's response thereto and monitor implementation of remedial measures to address adverse findings;
- 3.7. Ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate;

- 3.8. Ensure that the internal audit function has appropriate standing in the Company and is adequately resourced at all times to deliver on its mandate; and
- 3.9. Ensure that the Head of Internal Audit has unrestricted access to all levels of management, the Chairperson of the Committee and, where necessary, the Chairperson of the Board of Directors.

4. Duties relating to Combined Assurance

- 4.1. The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and
- 4.2. Review the process and results of the Combined Assurance Review System to ensure that significant risks facing the Company are addressed.

5. Duties relating to the finance function and finance director

- 5.1. Review the expertise, resources and experience of the Company's finance function, and disclose the results of the review in the integrated report;
- 5.2. Consider and satisfy itself annually of the suitability of the expertise and experience of the Chief Financial Officer and report the outcome in the integrated report as required by the JSE Listings Requirements.

6. Duties relating to Integrated Reporting

- 6.1. The Committee oversees the integrated reporting, and in particular the Committee must:
 - a) Have regard to all factors and risks that may impact on the integrity of the integrated report, including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body, any evidence that brings into question previously published information, forward-looking statements or information;
 - b) Evaluate the significant judgments and reporting decisions affecting the integrated report made by management, including changes in accounting policies, decisions requiring a major element of judgement and the clarity and completeness of the proposed financial and sustainability disclosure;
 - c) Require explanations from management on the accounting of significant or unusual transactions and consider the views of the external auditor's in these instances;

- d) Understand how the Board and the external auditor (and any relevant assurance provider) evaluate materiality for integrated reporting purposes;
- e) Recommend the integrated report for approval by the Board;
- f) Review whether the content of the summarised information provides a balanced view;
- g) Engage the external auditors to provide assurance on the summarised financial information;
- h) Oversee the sustainability issues in the integrated report;
- i) Draw from the Social, Ethics & Sustainability Committee required information in terms of sustainable development for the Integrated Report;
- j) Review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- k) Recommend to the Board whether or not to engage an external assurance provider to provide assurance on the material sustainability elements of the sustainability part of the integrated report;
- l) Review forward-looking statements of financial or sustainability information to ensure that the information provides a proper appreciation of the key drivers that will enable the Company to achieve these forward-looking results; and
- m) Consider any evidence that comes to its attention that brings into question any previously published financial or sustainability information, including complaints about this information. Where necessary, the Committee should take steps to recommend that the Company publicly correct the previous published financials or sustainability information if it is materially incorrect.

7. Duties relating to Internal Control

- 7.1. Review the effectiveness of the Company's system of internal control, including internal financial control, business process control and business risk management at the end of the Company's most recent fiscal year;
- 7.2. Review the effectiveness of management's framework and processes used by management to evaluate the Company's internal control over financial reporting;
- 7.3. Review the annual statements on internal control and internal control over financial reporting and make a recommendation to the Board;

- 7.4. Review management's evaluation of any change in the Company's internal control over financial reporting that occurred during a fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting;
- 7.5. Review the operational effectiveness of the policies and procedures for preventing or detecting fraud.

8. Duties relating to Risk Management

8.1. The Committee is an integral component of the risk management process and specifically the Committee must oversee financial reporting risks; internal financial controls; fraud risks as they relate to financial reporting; and IT risks as they relate to financial reporting.

8.1.1. The Committee should further:

- a) Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the Board.
- b) Monitor implementation of the policy and plan for risk management.
- c) Oversee the development and review of the Company's risk register and the annual risk management plan, with the aim to enhance the Company's ability to achieve its strategic objectives.
- d) Recommend the Company's risk register, which inherently reflects the Company's risk philosophy and strategic intent of risk management, to the Board for approval.
- e) Make recommendations to the Board concerning the levels of tolerance and appetite as approved by the Board.
- f) Oversee that the risk management plan is widely disseminated throughout the Company and integrated in the day-to-day activities of the Company.
- g) Ensure that risk management is performed on a continuous basis.
- h) Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks.
- i) Ensure that management considers and implements appropriate risk responses.
- j) Ensure that continuous risk monitoring by management takes place.
- k) Monitor that risks are managed and ensure that risks are prioritised and assessed accordingly.

- l) Express the Committee's formal opinion to the Board on the effectiveness of the system and process of risk management.
- m) Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.
- n) Information Technology and the risks associated therewith, including:
 - Implementation of a risk management process and IT controls framework; and
 - To perform continual IT risk assessments.

9. Duties relating to IT Governance

- 9.1. Assist the Board to oversee the development and implementation of an IT governance charter and policies that are integrated with the business strategy process and which sustain and enhance the Company's strategic objectives, thereby improving the Company's performance and sustainability;
- 9.2. Oversee the implementation of IT processes and governance mechanisms, IT frameworks, policies, procedures and standards, ensuring IT governance alignment with corporate governance;
- 9.3. Review the information security strategy (including information security, information management and information privacy) and management's implementation of the strategy;
- 9.4. Ensure that there are processes in place to enable complete, timely, relevant, accurate and accessible IT reporting, firstly from management to the Board, and secondly by the Board in the integrated report.

10. Duty relating to Compliance

- 10.1 Review and be satisfied with all taxation, foreign exchange and treasury related matters.
- 10.2 Consider legal and regulatory requirements which may have an impact on the integrated reporting.
- 10.3 Meet with regulators when required.
- 10.4 Liaise with the compliance function/officer where necessary.
- 10.5 Assist the Board in ensuring compliance with the financial requirements of:
 - a) The Companies Act;
 - b) any requirements of any other regulatory/supervisory authority (i.e. JSE Listings Requirements);

- c) the King Code of Governance for South Africa, as amended; and
- d) Any other applicable legislation.

11. General

11.1 Conflict of interest, misconduct or fraud:

11.1.1 The Committee shall be informed of any significant cases of conflict of interest, misconduct or fraud by employees and the steps taken by management to rectify this situation. Conflict of interest is also applicable to Board members and in respect of all Committees established by the Board.

11.2 Code of Business Conduct:

11.2.1 The Committee shall review with management its philosophy with respect to business ethics and corporate governance the written code of business conduct and management's program to monitor Mahube's compliance therewith

11.3 It is the responsibility of the Board to annually evaluate the constitution, period of membership and the effectiveness of the Committee and to make any recommendations to improve such effectiveness.