



WESCOAL HOLDINGS LIMITED
("the Company")

Audit and Risk Committee Charter

1 Introduction

The Audit and Risk Committee is constituted as a statutory Committee of the Company, in respect of its statutory duties in terms of section 94 of the Companies Act, 2008, and a Committee of the board in respect of other duties assigned to it by the board.

The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the board. The deliberations of the Committee do not reduce the individual and collective responsibilities of board members in regard to their fiduciary duties and responsibilities and they must continue to exercise due care and judgement in accordance with their statutory obligations.

The terms of reference as contained in this charter, are subject to the provisions of the Companies Act, the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

2 Purpose

The purpose of these terms of reference is to set out the Committee's role and responsibilities as well as the requirements for its composition and meeting procedures.

3 Role of the Committee

3.1 The Committee has an independent role with accountability to both the board and shareholders.

3.2 The Committee's primary role is to provide independent oversight over the:

- External and internal audit processes;
- Combined assurance model;
- Reliability and integrity of integrated reporting;

3.3 The Committee also plays an integral role in the risk oversight process in so far as this impacts on assurance processes and integrated reporting. It is therefore imperative that the Committee understands risk from the perspective of it forming the basis of combined assurance and audit plans to be approved.

3.4 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.



4 Committee Membership

- 4.1 The Committee shall comprise of at least three members to be elected by the shareholders on recommendation by the Board. A quorum shall be two members.
- 4.2 Each member of the Committee must –
- (a) be a director of the company;
 - (b) not be –
 - (i) involved in the day-to-day management of the company's business or have been so involved at any time during the previous financial year;
 - (ii) a prescribed officer, or full-time employee, of the company or another related or inter-related company, or have been such an officer or employee at any time during the previous three financial years; or
 - (iii) a material supplier or customer of the company, such that a reasonable and informed third party would conclude in the circumstances that the integrity, impartiality or objectivity of that director is compromised by that relationship; and
 - (c) not be related to any person who falls within any of the criteria set out in paragraph (b) above.
- 4.3 The board shall appoint the chairman of the Committee from amongst the independent non-executive directors.
- 4.4. The members of the Committee must collectively have sufficient qualifications and experience to fulfill their duties, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; corporate law; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within the company.
- 4.5 The Committee members must keep up-to-date with developments affecting the required skill-set.
- 4.6 The members of the Committee shall be elected and appointed/reappointed at each annual general meeting of the company.
- 4.7 The board must fill vacancies on the Committee within 40 business days after the vacancy arises.

5 Meetings and Agenda

- 5.1 No one other than the Audit and Risk Committee members and representatives of the company's designated adviser shall be entitled to attend Audit and Risk Committee meetings.
- 5.2 The chief executive officer, financial director, head of internal audit, board members, representatives from the external auditor, other assurance providers, professional advisors, and other persons may be in attendance at Committee meetings, but by invitation only.



- 5.3 The Committee must hold a minimum of four scheduled meetings per year (to coincide with key dates in the company's financial reporting cycle) shortly before the board meetings.
- 5.4 There should be at least one meeting a year, or part thereof, where the Committee meets the external and internal auditors without executive board members present.
- 5.5 Meetings in addition to those scheduled may, with the approval of the chairman, be held at the request of the external auditor, the internal auditor, the chief executive officer, the financial director or at the instance of the board, should they deem it necessary.
- 5.6 Committee members must attend all scheduled meetings of the Committee, including meetings called on an *ad-hoc* basis for special matters, unless prior apology, within reason, has been submitted to the chairman or company secretary.
- 5.7 The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual plan must ensure proper coverage of the matters laid out in the Committee charter: the more critical matters will need to be attended to each year while other matters may be dealt with on a rotation basis over a three-year period. The number, timing and length of meetings, and the agendas are to be determined in accordance with the annual plan.
- 5.8 The chairman of the Committee shall draw up an agenda for every meeting, which shall be circulated with supporting documentation to the members of the Committee and other persons invited to attend, at least three working days prior to each meeting.
- 5.9 Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.

6. Secretary

The secretary of the company shall be the secretary of the Committee and shall ensure minutes are kept of all meetings.

The minutes must be completed as soon as possible after the meeting and circulated to the chairman and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

7. Authority

- 7.1 The board supports and endorses the Committee, which operates independently of management and is free of any organisational impairment.
- 7.2 The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the board and the shareholders. To this end the chairman of the Committee must be present at all annual general meetings. On all responsibilities delegated to it by the board outside of the statutory duties, the Committee makes recommendations for approval by the board.



- 7.3 The Committee acts in accordance with its statutory duties and the delegated authority of the board as recorded in this charter. It has the power to investigate any activity within the scope of its terms of reference.
- 7.4 The Committee, in the fulfillment of its duties, may call upon the chairmen of the other board Committees, any of the executive directors, company officers, company secretary or assurance providers to provide it with information subject to board approved process.
- 7.5 The Committee has reasonable access to the company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following board approved process.
- 7.6 The Committee may form, and delegate authority to, sub-committees and may delegate authority to one or more designated members of the Committee.
- 7.7 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at company's cost, subject to a board approved process being followed.

8 Responsibilities

- 8.1 The Committee must assume the following responsibilities:
- to promote the overall effectiveness of corporate governance in accordance with the King Report on Corporate Governance;
 - to evaluate and coordinate the external and internal audit processes;
 - the establishment of terms of reference to guide the audit approach, as well as its modus operandi, which should encompass the rules that govern the audit relationship;
 - to assess the processes and the results relating to the group's risk and control environment;
 - to assist the Board to fulfil its risk management and control responsibilities in accordance with the prescribed legislation and corporate governance principles;
 - to assess the combined assurance model;
 - to oversee the integrated reporting process to ensure the reliability and integrity of the information contained therein;
 - to foster and improve open communication and contact among relevant stakeholders in the group; and
 - to monitor the compliance of the group with legal and ethical requirements and the group's code of conduct.
- 8.2 The Committee must report and make recommendations to the board but the board retains responsibility for implementing such recommendations.

9 Duties

To fulfill its responsibilities set out above, the duties of the Committee shall include *inter alia* the following:

9.1 General

- To review the group's strategic plan and strategic management process;



- To review the group's interim and annual financial statements and trading updates;
- To review the accounting policies adopted by the group and any proposed changes thereto;
- To review the adequacy of insurance coverage;
- To review the adequacy of the disaster recovery and business resumption plans;
- To consider any other matters which may be referred to the Committee by the board from time to time; and
- To periodically review and update the charter, at least annually, or as conditions dictate.

9.2 Integrated reporting

The Committee oversees integrated reporting, and in particular the Committee must:

- 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;
- to make submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting;
- review the annual financial statements, interim reports, preliminary or provisional result announcements, summarised integrated information, any other intended release of price-sensitive information and prospectuses, trading statements and similar documents;
- prepare a report, to be included in the annual financial statements for that financial year, describing its role, composition, number of meetings held and how the Committee carried out its functions and commenting in any way the Committee considers appropriate on the financial statements, the accounting practices, the effectiveness of the internal financial controls and the independence of the external auditor;
- review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- recommend to the board the engagement of an external assurance provider on material sustainability issues;
- recommend the integrated report for approval by the board;
- consider the frequency for issuing interim results;
- consider whether the external auditor should perform assurance procedures on the interim results;
- review the content of the summarised information for whether it provides a balanced view;
- engage the external auditors to provide assurance on the summarised financial information; and
- to receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to-
 - The accounting practices and internal audit of the company;
 - the content or auditing of the company's financial statements;
 - the internal financial controls of the company, or
 - any related matter.

9.3 Combined assurance



The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

- ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and
- monitor the relationship between the external assurance providers and the company.

9.4 Finance function and financial director

The Committee reviews the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report.

The Committee also considers and satisfies itself of the suitability of the expertise and experience of the financial director every year.

9.5 Internal audit

The Committee is responsible for overseeing of internal audit, and in particular the Committee must:

- be responsible for the appointment, performance assessment and/or dismissal of the Internal Auditor;
- approve the internal audit plan; and
- ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

9.6 Risk management

The Committee is an integral component of the risk management process and specifically the Committee must:

- Oversee the development and annual review of the risk management policy and strategy and recommend for approval by senior management and the board;
- Monitor the implementation of the policy and strategy for risk management taking place by means of risk management systems and processes;
- Make recommendations to the board concerning the levels of tolerance and appetite and monitor that risks are managed within the levels of tolerance and appetite as approved by senior management and the board;
- Oversee that the risk management strategy is widely disseminated throughout the Company and integrated into the day to day activities of the Company;
- Ensure that risk management assessments are performed on a continuous basis;
- Review the company's risk identification and assessment framework and methodologies to obtain reasonable assurance of the completeness and accuracy of the risk register;
- Evaluate the effectiveness and appropriateness of the mitigating strategies considered and implemented by management to address the material risks of the Company;
- Ensure that continuous risk monitoring by management takes place;
- Report to the board any material changes to the risk profile of the company;
- Review the fraud prevention policy and recommend for approval by senior management;

- Evaluate the effectiveness of the implementation of the fraud prevention policy;
- Evaluate the risk management strategies to deal with risks related to Information Technology (“IT”), with specific focus on those IT risk that relate to financial reporting and internal financial controls.
- Review any material findings and recommendations by assurance providers on the system of risk management and monitor that appropriate action is taken to address the identified weaknesses;
- Develop goals, objectives and key performance indicators for the Committee for approval by senior management and the board;
- Develop goals, objectives and key performance indicators to measure the effectiveness of the risk management activity;
- Express the Committee’s formal opinion to the board on the effectiveness of the system and processes of risk management; and
- Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

9.7 External audit

The Committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the Committee must

- nominate the external auditor for appointment by the shareholders;
- approve the terms of engagement and remuneration for the external audit engagement;
- monitor and report on the independence of the external auditor in the annual financial statements;
- define a policy for non-audit services provided by the external auditor;
- pre-approve the contracts for non-audit services to be rendered by the external auditor;
- ensure that there is a process for the audit Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- review the quality and effectiveness of the external audit process; and
- consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE list of Auditors and their advisors as required by the JSE Limited Listings Requirements.

10 Reporting

- 10.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the board, and the chairman of the Committee shall, at a minimum, attend the board meeting at which the accounts are approved.
- 10.2 The Committee shall annually review its terms of reference and its own effectiveness and recommend to the board any necessary changes.
- 10.3 The Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts. Such a report should specifically include:



- summary of the role of the Committee;
- the names and qualifications of all members of the Committee during the period;
- the number of Committee meetings and attendance by each member; and
- the way the Committee has discharged its responsibilities.

10.4 Where disagreements between the Committee and the board cannot be resolved, the audit Committee shall report such an issue to the shareholders as part of the report on its activities in the company's annual report.

10.5 If the board does not accept the Committee's recommendation regarding the appointment, reappointment and removal of the external auditor, the Committee shall include a statement explaining its recommendation and reasons why the board has taken a different stance in the annual report.

10.6 The Committee chairman shall attend the AGM and shall answer questions, through the chairman of the board, on the Committee's activities and its responsibilities.

11. Member skills and training

11.1 A Committee's effectiveness in performing its mission depends on its members' knowledge and competence in business matters, financial reporting, internal controls and auditing.

11.2 Every member should have experience in some area pertinent to the business, and it is preferable that at least one member should be familiar with the group's industry. The majority of members must preferably have basic financial literacy, i.e. the ability to read and understand fundamental financial statements, including a group's balance sheet, income statement and cash flow statement. At a minimum, one member, usually the chairperson should have a solid background in finance, accounting, or auditing, to be able to act as guide for the Committee during technical discussions. All members should be adept at communicating with management and the auditors, ready to ask probing questions relating to the group's financial risks and accounting.

11.3 Management and independent auditors are sources for the background information and training a Committee member needs. A training programme that enhances the corporate governance, risk management and financial literacy of members should be available, if required. New members should receive a complete orientation that allows them to function effectively from the very beginning.

12. Self- assessment

12.1 The Committee should conduct continual self-assessment or self-evaluation. The Committee chairperson should assess the performance of individual Committee members, and the board should evaluate the Committee's chairperson, based on several factors. These include:

- expertise;
- inquiring attitude, objectivity, and independence;
- judgement;



- understanding of the group's business;
- understanding of and commitment to the Committee's duties and responsibilities;
- willingness to devote the time needed to prepare for and participate in Committee deliberations;
- timely responses; and
- attendance at meetings.

12.2 Input from management and external audit should form part of the Committee's evaluation. After completing its evaluation, the Committee should review the results with the board, so that appropriate action can be taken on any recommendations resulting from the review.

13. General

The Committee members are obliged to disclose any interests they have within the organisation or outside the organisation that might interfere with the performance of their duties.

Any group related information that comes to light during their performance of duties must be kept confidential. This information can only be disclosed to the board or any statutory board on demand.