

WESCOAL

WESCOAL HOLDINGS LIMITED ("the Company")

Audit, Risk and Compliance Committee Charter

1 Constitution and General Principle

- 1.1 In line with the requirements of section 94 of the Companies Act of 2008 ("the Act") and the King IV Report on Corporate Governance for South Africa 2016 ("King IV"), the board of directors of the Company ("the Board") resolved to establish a statutory committee of the Board to be known as the Audit Committee. The Company combines the Audit, Risk and Compliance committees into one Committee (the "Committee") which complies with all statutory regulations as well as being cognisant of risk, compliance and governance as required in terms of King IV
- 1.2 Neither the appointment nor the duties of the Committee reduce the functions and duties of the Board or the directors of the Company, who must continue to exercise due care and diligence in accordance with their statutory and fiduciary duties, except with respect to the appointment, fees and terms of engagement of the auditor of the Company.
- 1.3 This charter has been approved by the Board and shall be annually reviewed. The terms of reference as contained in this charter shall be read with the Board Charter and shall be subject to the provisions of the Act, the Memorandum of Incorporation of the Company and any other applicable law or regulatory provision.
- 1.4 In addition to ensuring compliance with the law, the Committee shall be expected, in fulfilling its functions, to apply the principles of good corporate governance as set out in King IV.
- 1.5 All members of the Committee shall be required to keep up to date with developments affecting the areas of responsibility of the Committee. Members are furthermore expected to be fully prepared for meetings and to provide appropriate and constructive input on matters under consideration.
- 1.6 In this charter, "Group" shall refer to the Company and its subsidiaries.

2 Composition

- 2.1 At each annual general meeting, and for purposes of the statutory audit committee, the names of at least 3 (three) directors, all of whom must be independent non-executive directors, shall be tabled for consideration and, if supported, election by shareholders of the Company as members of the Committee.
- 2.2 The names of suitable candidates to be included in the notice of the annual general meeting shall be approved by the Board on recommendation of the Remuneration and Nomination Committee.
- 2.3 During the period between annual general meetings, the Board has the authority to appoint members of the Committee, on recommendation from the Remuneration and Nomination Committee, to fill any vacancy and shall do so within 40 (forty) business days of the vacancy arising.
- 2.4 In terms of section 94(5) of the Act, read with Regulation 42, at least one-third of the members of the Committee must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resource management. In addition, the Committee as a whole must have the necessary knowledge, skills, experience and capacity to execute its duties effectively.
- 2.5 The chair of the Committee shall be appointed by the Board and shall be one of the members of the Committee as elected by shareholders at the annual general meeting.
- 2.6 The chair of the Board shall not be a member of the Committee.

3. Role of the Committee

- 3.1 The role of the Committee is to fulfil the statutory functions as set out in section 94 of the Act and, in addition, to provide independent oversight of, among others:
 - 3.1.1 the effectiveness of the assurance functions and services of the Group, with particular focus on combined assurance arrangements, including external assurance service providers, internal audit and the finance function; and
 - 3.1.2 the integrity of the annual financial statements and, to the extent delegated by the Board, other external reports issued by the Company.

- 3.2 Unless otherwise indicated, the Committee shall fulfil its statutory duties as listed in clause 5.1 in respect of the Company and any subsidiary that is required by law to have an audit committee. Reference to “Company” in clause 5.1 shall therefore be applicable to both the Company and such relevant subsidiaries.
- 3.3 In addition, the Committee is to provide an independent and objective body that shall assist the Board in its oversight of the management of risk, risk governance and compliance in the Group and shall fulfil its other duties as listed in clause 5 in respect of the Company and each of its subsidiaries (the Group).
- 3.4 In fulfilling its role and function, the Committee should specifically have oversight of financial reporting risks, internal financial controls, fraud risks and IT risks. The Committee shall work in collaboration with the other committees of the Board to ensure adequate coverage of all risk related matters that might form part of the mandates of such committees.

4. Committee Meetings and Resolutions

4.1 Attendance at meetings

- 4.1.1 The financial director, a representative of the internal auditors and a representative of the external auditors shall be required to attend each meeting of the Committee, unless otherwise indicated.
- 4.1.2 The chief executive officer shall have a standing invitation to attend the meetings of the Committee as and when deemed necessary.
- 4.1.3 Every member of the Board is entitled to attend any meetings of the Committee as an observer. However, unless that member is also a member of the Committee, the member shall not be entitled to participate without the consent of the chair, does not have a vote and is not entitled to fees for such attendance unless otherwise approved by the Board and shareholders.
- 4.1.4 The company secretary (or duly authorised representative of the company secretary) shall be in attendance at each meeting of the Committee to act as secretary of the Committee.
- 4.1.5 Committee members are expected to attend all meetings of the Committee, unless an apology with reasons has been submitted to the chair or the company secretary.

- 4.1.6 If the chair of the Committee is absent from the meeting, any other member of the Committee may act as chair for that meeting as agreed by those present or as nominated by the chair of the Committee.

4.2 Frequency of meetings

- 4.2.1 Meetings of the Committee shall be held as frequently as the Committee, in consultation with the company secretary, considers appropriate, but it shall normally meet not less than 4 (four) times a year.
- 4.2.2 Meetings shall be scheduled in advance and no formal notice of the meeting shall be given, excluding the agenda and supporting meeting papers.
- 4.2.3 The chief executive officer, financial director, head of internal audit, external audit partner or a member of the Committee may request a meeting if deemed necessary and a meeting shall then be arranged in consultation with the chair of the Committee. Formal notice of such special meeting shall be given as and when required.
- 4.2.4 In addition to the meetings contemplated in clause 4.2.1, the Committee shall at least annually meet with the external and internal auditors respectively without management and with or without other Board members, as the Committee may elect.
- 4.2.5 The Committee must undertake such work as is necessary in preparation for each Board meeting and to properly report to the Board on its activities and recommendations.
- 4.2.6 An annual work plan, based on the duties as listed in clause 6, shall be implemented and approved by the Committee and shall be annually reviewed together with these terms of reference.

4.3 Meeting procedures

- 4.3.1 The meetings of the Committee may be held in person, or by electronic communication as circumstances may require, provided that the required quorum is met and that the members can speak and hear one another during the meeting.
- 4.3.2 A quorum shall be a majority of members present in person or via electronic communication facilities throughout the meeting. Where a

member declares an interest and is recused from the meeting, the meeting shall remain quorate during his/her absence.

- 4.3.3 In the absence of a quorum and subject to the discretion of the chair, the meeting can either be postponed to a later date or can proceed as an informal meeting with all resolutions required to be taken at the meeting being formally approved by way of a written resolution.
- 4.3.4 No resolutions tabled for approval by the Committee at a meeting which is not quorate shall be implemented or given effect until formally approved at the postponed meeting or via written resolution as contemplated in clause 4.3.3.
- 4.3.5 The written resolution circulated in terms of clause 4.3.3 requires unanimous approval, in the absence of which a special meeting of the Committee shall be convened for the matter to be discussed and formally approved during such special meeting.
- 4.3.6 An agenda with supporting papers shall be circulated no later than 5 (five) business days prior to the meeting, where reasonably possible. The company secretary shall be responsible for the preparation of the meeting agenda in consultation with the chair and financial director.
- 4.3.7 An annual work plan, as a minimum, shall determine the content of the agenda and frequency of the meetings will be in place and based on the duties listed in item 5.
- 4.3.8 Draft minutes of a meeting shall be presented to relevant members of management for comment within 10 (ten) business days from the date of the meeting, where reasonably possible, and shall thereafter be presented to the chair and be circulated to the Committee members. The draft minutes shall be tabled for confirmation at the next meeting of the Committee or circulated for this purpose via electronic communication and shall thereafter be signed by the chair of the Committee.

4.4 In-committee meetings

- 4.4.1 In-committee meetings of the Committee, where only members of the Committee are present, may be held as and when deemed appropriate by the chair of the Committee.
- 4.4.2 The company secretary shall attend in-committee meetings for minute purposes. If the company secretary is also excused from the meeting, the

chair shall nominate a member of the Committee to keep notes of the discussions and/or decisions for record purposes.

- 4.4.3 Separate minutes shall be prepared for in-committee meetings and shall be circulated to members for confirmation via electronic communication where after it shall be signed by the chair of the Committee.

4.5 Written resolutions

A resolution in writing signed by a majority of the members of the Committee shall be as valid and effectual as if it has been passed at a duly constituted meeting of the Committee, provided that each member of the Committee shall have been afforded a reasonable opportunity to express an opinion on the matter to which such resolution relates.

5. Duties of the Committee

The duties of the committee shall be to:

5.1 Statutory duties (section 94(7) of the Act)

- 5.1.1 Nominate, for appointment as auditor of the Company under s90 of the Act, a registered auditor who, in the opinion of the Committee, is independent of the Company;
- 5.1.2 Determine and approve the fees to be paid to the auditor and the auditor's terms of engagement;
- 5.1.3 Ensure that the appointment of the auditor complies with the provisions of the Act and any other legislation relating to the appointment of auditors;
- 5.1.4 Determine, subject to the provisions of the Act, 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 entity;
- 5.1.5 Pre-approve any proposed agreement with the auditor for the provision of non-audit services to the Company and/or the Group;
- 5.1.6 Prepare a report, to be included in the annual financial statements of the Company and each subsidiary which is required by law to have an audit committee, for the relevant financial year that addresses the items as listed in the Act;

5.1.7 Receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative, in relation to the matters as set out in the Act; and

5.1.8 Make submissions to the Board on any matter concerning the Group's accounting policies, financial control, records and reporting.

5.2 Other duties

5.2.1 *External auditors, audit process and financial reporting*

- (i) annually review the independence, objectivity and effectiveness of the external auditors;
- (ii) consider and set, if appropriate and subject to relevant legislative requirements, mandatory term limits on the length of time the external auditors or audit partner may serve the Company and ensure a managed rotation process in respect of the audit partner after at least every 5 (five) years;
- (iii) discuss with the external auditor before the annual audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (iv) review and comment on all financial reporting, including the half year and annual financial statements before submission to the Board, focusing particularly on:-
 - a. any changes in accounting policies and practices;
 - b. major judgemental areas;
 - c. significant adjustments resulting from the audit;
 - d. the going concern statement;
 - e. compliance with accounting standards;
 - f. compliance with stock exchange and statutory requirements;
 - g. reliability and accuracy of the financial information provided to management and other users of financial information.

- (v) discuss problems and reservations arising from the interim, (if and when applicable) and final audits, and any matters incidental thereto which the external auditors may wish to discuss (in the absence of management where necessary);
- (vi) review the quality and effectiveness of the external audit process as well as any accounting or auditing concerns identified as a result of the internal or external audits;
- (vii) review the external auditor's management letter and management's response, if available, and/or to consider the matters to be dealt with therein;
- (viii) review the Company's statement on internal control systems prior to endorsement by the Board;
- (ix) having satisfied itself with the correctness of the annual financial statements (or summarised financial information) and interim report after having consulted with management and, where necessary, sought audit advice or other assistance, recommend the annual financial statements and interim report to the Board for approval;
- (x) consider whether the external auditor should perform assurance procedures on interim results and make a recommendation to the Board in this respect;
- (xi) ensure that the information and technology risks insofar as they relate to financial reporting and the going concern status of the Company are adequately managed;

5.2.2 Internal Audit

- (i) have oversight of internal audit and approve the structure of the internal audit function – internal function or outsourced – as proposed by management;
- (ii) monitor and supervise the effective functioning of the internal audit function (refer "Internal audit and internal control"), to ensure that the roles of both internal and external audit are clear to provide an objective overview of the operational effectiveness of the group's systems of internal control and reporting;

- (iii) obtain representations from management, and make the necessary enquiries from external and internal audit and of management, on any matters under litigation, ensure compliance with material aspects of legislation and create awareness of pending changes to legislation;
- (iv) approve the internal audit charter and the internal audit plan as well as the resources required;
- (v) review the functioning of the internal auditors and ensure co-ordination between the internal and external auditors;
- (vi) receive and review the internal audit report at each meeting of the Committee as well as the annual assessment of the effectiveness of the Group's governance, risk management and control processes;
- (vii) consider the major findings of internal investigations and management's response;
- (viii) monitor on an ongoing basis that internal audit follows an approved risk-based internal audit plan and reviews the organisational risk profile regularly and proposes adaptations to the internal audit plan accordingly;
- (ix) annually review the performance and objectivity of the internal auditors and subject the internal audit function to an independent quality review at least once every 5 (five) years;
- (x) obtain confirmation annually from the internal auditors that internal audit conforms to a recognised industry code of ethics;

5.2.3 External reporting and assurance model

- (i) oversee the annual preparation and publication of an integrated report, having regard to all factors and risks that may impact on the integrity of the integrated report, and recommending the integrated report to the Board for approval;
- (ii) approve management's determination of the reporting frameworks (including reporting standards) to be used, considering legal requirements and the intended audience and purpose of each report;
- (iii) approve management's basis for determining materiality for the purposes of deciding which information should be included in the external reports;

- (iv) review the disclosure of sustainability issues in the integrated and external reports to ensure that it is reliable and does not conflict with the financial information;
- (v) oversee the arrangements for assurance services and functions and ensure that these arrangements are effective in achieving the required objectives;
- (vi) review external reports, in addition to the integrated report, and consider all factors and risks that may impact on the integrity of such reports;
- (vii) recommend to the Board the engagement of an external assurance provider on material sustainability issues when deemed necessary;
- (viii) annually review the expertise, resources and experience of the Company's finance function, including the appropriateness of the experience and expertise of the director responsible for the finance function, and disclose the results of the review in the integrated report;

5.2.4 Information and technology governance

- (i) annually review the policy on the employment of technology and information based on the approved Board strategy and recommend to the Board;
- (ii) exercise ongoing oversight of technology and information management to ensure that it results in the following:
 - a. integration of people, technologies, information and processes across the Group;
 - b. integration of technology and information risks into risk management;
 - c. arrangements to provide for business resilience;
 - d. proactive monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events;
 - e. management of performance and risks pertaining to third-party and outsourced service providers;
 - f. structures and methods to assess the value delivered to the Group by significant investments in technology and information, including the evaluation of projects throughout their life cycles and of significant operational expenditure;

- g. processes for the responsible disposal of obsolete technology and information that take into account environmental impact and information security;
 - h. monitoring of ethical and responsible use of technology and information;
 - (iii) exercise ongoing oversight of the management of information, in particular, that results in the following:
 - a. leveraging of information to sustain and enhance the Group's intellectual capital;
 - b. information architecture that supports confidentiality, integrity and availability of information;
 - c. the privacy and protection of personal information;
 - d. the monitoring of security of information and the security culture within the organisation;
 - (iv) exercise ongoing oversight of the management of technology, in particular, that results in the following:
 - a. technology architecture that enables the achievement of strategic and operational objectives;
 - b. the management of risks pertaining to technology sourcing;
 - c. monitoring and appropriate responses to developments in technology, including their potential opportunities and disruptive effects on the organisation and its business model;
 - (v) consider the need to receive periodic independent assurance on the effectiveness of the Group's technology and information arrangements, including outsourced services.

5.2.5 Risk Governance

- (i) oversee risk management in the Group to ensure that it encompass both:
 - (a) the opportunities and associated risks to be considered when developing strategy; and
 - (b) the potential positive and negative effects of the same risks on the achievement of the Group's objectives;

- (ii) oversee risk management in the Group to ensure that it results in the following:
 - (a) an assessment of risks and opportunities emanating from the triple context within which the Group operates and the capitals that the Group uses and affects;
 - (b) an assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving the Group objectives;
 - (c) an assessment of the Group's dependence on resources and relationships as represented by the various forms of capital;
 - (d) the design and implementation of appropriate risk responses;
 - (e) the establishment and implementation of business continuity arrangements that allow the Group to operate under conditions of volatility, and to withstand and recover from acute shocks; and
 - (f) the integration and embedding of risk management in the business activities and culture of the Group;
- (iii) annually review the risk management policy and plan for recommendation to the Board, taking into account the above factors, including the nature and extent of the risks that the Group should be willing to take in pursuit of its strategy objectives and in particular:
 - (a) the Group's risk appetite (propensity to take appropriate levels of risk); and
 - (b) the limit of the potential loss that the Group has the capacity to tolerate;
- (iv) monitor that risks are managed within the levels of tolerance and appetite as approved by the Board
- (v) review and monitor the processes and procedures for risk identification, analysis and quantification;

- (vi) review the processes implemented to monitor the ongoing management of risk and ensure that continuous monitoring by management takes place;
- (vii) continuously review the Group's register of key risks and submit same to the Board after each Committee meeting for information purposes;
- (viii) annually review a formal report from internal audit on the effectiveness of the risk management processes and procedures;
- (ix) consider the need to receive periodic independent assurance on the effectiveness of risk management throughout the Group;
- (x) ensure that reporting on risk management is complete, timely, relevant, accurate and accessible and include the nature and extent of the risks and opportunities that the Group is willing to take without compromising sensitive information;
- (xi) oversee that the risk management plan is widely disseminated throughout the Group and integrated in the day-to-day activities of the business;
- (xii) annually review the adequacy and cost of the various elements of the insurance programme of the Group and the proposed amendments to the cover provided and the resultant impact on premiums, if any;

5.2.6 Compliance governance

- (i) annually review the Group compliance policy, including the list of non-binding rules, codes and standards adopted by the Group and recommend same to the Board for approval, if any;
- (ii) annually receive and review a formal report from the Social and Ethics Committee of the Board, confirming the execution of its statutory duties in monitoring the laws and non-binding rules, codes and standards within its areas of responsibility;
- (iii) annually receive and review a formal report from management, confirming compliance with the laws and non-binding rules, codes and standards that are not covered by the report as envisaged in clause 5.2.5;

- (iv) continuously monitor the risk of non-compliance in the Group and the adequacy of measures taken by management to address and sanction incidences of non-compliance;

5.2.7 *General*

- (i) give due consideration to the relevant provisions of the Act, the Listings Requirements of the JSE Limited and the principles and recommendations of King IV;
- (ii) receive and deal with any internal or external complaint relating to either accounting practices and internal audit of the Company or to the content or auditing of the financial statements or to any related matter; and
- (iii) consider such other topics and fulfil such other duties as defined by the Board.

6. **Authority**

- 6.1 In respect of the statutory duties of the Committee as set out in section 94 of the Act, the Committee shall be accountable and report to shareholders as provided for in the Act. In respect of all other duties as contained in these terms of reference, the Committee shall be accountable and report to the Board.
- 6.2 The Committee shall have decision-making power in respect of its statutory duties and such other duties where decision-making power has been specifically delegated by the Board to the Committee in these terms of reference. In respect of all other duties as contained herein, the Committee shall only have the power to make recommendations to the Board.
- 6.3 The Committee is authorised by the Board to investigate any activity within its mandate. It is authorised to seek any information it requires from any employee in the Group and all such employees are directed to co-operate with any request made by the Committee.
- 6.4 The Committee is authorised by the Board, subject to the approved process as set out in the Board Charter, to obtain outside legal or other independent professional advice and to secure the attendance at meetings of the Committee of outsiders with relevant experience and expertise if deemed necessary.
- 6.5 The Committee may establish and delegate authority to any member or sub-committee to assist it in carrying out certain of its functions. Such delegation,

and the extent thereof, shall be properly recorded in a formal resolution of the Committee passed at a meeting of the Committee or via written resolution.

- 6.6 The Company shall meet all expenses reasonably incurred by the Committee in the fulfilling of its duties.

7. Reporting Procedure

- 7.1 The Secretary shall circulate the minutes of meetings of the Committee to all members of the Board, and the Chairperson of the Committee shall, at a minimum, attend the Board meeting at which the accounts are approved.
- 7.2 The Committee shall annually review its charter containing the terms of reference and its own effectiveness and recommend to the Board any necessary changes.
- 7.3 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:
- (i) summary of the role of the Committee;
 - (ii) the names and qualifications of all members of the Committee during the period;
 - (iii) the number of Committee meetings and attendance by each member; and
 - (iv) the way the Committee has discharged its responsibilities.
- 7.4 Where disagreements between the Committee and the Board cannot be resolved, the Committee shall report such an issue to the shareholders as part of the report on its activities in the company's annual report.
- 7.5 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.
- 7.6 The Committee Chairperson shall attend the AGM and shall answer questions, through the Chairperson of the Board, on the Committee's activities and its responsibilities.

8. Performance Evaluation

- 8.1 The Committee should conduct continual self-assessment or self-evaluation annually.

8.2 The performance of the Committee shall be evaluated in accordance with the methodology approved by the Board from time to time.

9. General

9.1 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.

9.2 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 Remuneration and Nomination Committee and the Board on demand.

CHAIR OF THE BOARD

DATE: