



MASTER DRILLING

Master Drilling Group Limited

Audit Committee Terms of Reference

1. INTRODUCTION

- 1.1 The Audit Committee (“the Committee”) is constituted as a statutory committee of Master Drilling Group Limited (“the Company”) in respect of its statutory duties in terms of s94(7) of the Companies Act No. 71 of 2008 (“the Act”) and a committee of the Board of Directors (“the Board”) in respect of all other duties assigned to it by the Board *inter alia*, discharging its duties relating to the safeguarding of assets, the operation of adequate systems, internal controls and control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards.
- 1.2 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 the board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 1.3 These terms of reference are subject to the provisions of the Act, the Company’s Memorandum of Incorporation (“MOI”), King IV report on Corporate Governance for South African 2016 (“King IV”) and any other applicable law and regulatory provision.

2. MANDATE AND PURPOSE OF THESE TERMS OF REFERENCE

The purpose of this mandate and terms of reference is to set out the Committee’s roles and responsibilities as well as the requirements for its composition and meeting procedures. The Board requires, under a resolution adopted in terms of section 94(2)(b) of the Act, that the Committee also performs its duties on behalf of all the subsidiary companies within the Master Drilling Group, unless an audit committee of that other company will perform the functions required under the Act.

3. COMPOSITION OF THE COMMITTEE

- 3.1 The Committee comprises of at least three non-executive directors of the Board, the majority of whom should be independent directors. Members of the Committee shall be appointed annually by the shareholders of the Company at the annual general meeting of the Company. The Chairperson of the Committee, which shall be an independent non-executive director, is elected by the Board and shall not be the Chairperson of the Board.
- 3.2 Each member of the Committee must not:
 - 3.2.1 Be involved in the day to day management of the Company for the past financial year;
 - 3.2.2 Be a full-time employee of the Company for the past 3 financial years;
 - 3.2.3 Be 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

3.2.4 Be related to anybody who falls within the above criteria.

3.3 All members of the Committee must be suitably skilled and experienced non-executive directors, the majority of which must be independent. The members of the Committee must collectively have sufficient qualifications, skill and experience to fulfil their duties, including an understanding of the following:

- 3.3.1 financial and sustainability reporting;
- 3.3.2 internal financial controls;
- 3.3.3 external audit process;
- 3.3.4 internal audit process;
- 3.3.5 corporate law;
- 3.3.6 risk management;
- 3.3.7 sustainability issues;
- 3.3.8 information & technology governance (as it relates to integrated reporting);
- 3.3.9 governance processes and global best practice;
- 3.3.10 Taxation and related best practices; and
- 3.3.11 JSE related compliances and practices.

3.4 The Committee members are expected to keep up to date with developments affecting the required skill set.

3.5 A member of the Committee shall, in the event that he/she ceases for whatsoever reasons to be a director of the Company, also resign as a member of the Committee. Notwithstanding anything to the contrary contained herein, the Board shall have the power at all times to remove any member from the Committee and to fill any vacancies created by such removal. The Board must fill vacancies on the Committee within 40 (forty) business days after the vacancy arises.

4 **ROLE**

4.1 Responsibility for reliable financial reporting lies first with Company management who establish the financial reporting environment. The Committee needs to understand and assess this environment and the system of internal controls so that it can exercise broad but effective oversight.

4.2 The Committee should have open communication with management, and they should clearly understand management's assessment of and response to key risks, any special audit risks or high-risk areas and the internal and external audit activities, if any, relating to these risks. Members of the Committee may communicate directly with management as they deem appropriate, keeping the Chairperson and fellow members apprised on a prompt and continuing basis of any communications outside of meetings or routine reporting.

4.3 The Committee has an independent role with accountability to both the Board and shareholders. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

5 **MEETINGS AND PROCEDURES**

5.1 **Attendance**

- 5.1.1 The Chief Executive Officer, Chief Financial Officer, representatives from the external auditors, the head of internal audit, other assurance providers, professional advisors and Board members may be in attendance at Committee meetings, but by invitation only and they may not vote.
- 5.1.2 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 Group Company Secretary.
- 5.1.3 The Group Company Secretary shall be the secretary of the Committee.
- 5.1.4 If the nominated Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson.
- 5.1.5 The Chairperson of the Committee with its prior approval may invite any person, including persons outside of the Group, to attend its meetings, when deemed necessary.

5.2 Frequency

- 5.2.1 Meetings shall be held not less than 4 (four) times per annum. These meetings should preferably take place:
 - 5.2.1.1 once in March of each year to inter alia review and recommend to the Company's Board for approval, the Company's audited financial statements for the previous financial year ended 31 December as well as the Integrated Annual Report for the reporting period;
 - 5.2.1.2 once in August of each year to inter alia review and recommend to the Company's Board for approval, the Company's interim financial statements for the half year ended 30 June;
 - 5.2.1.3 once in November of each year to inter alia approve the external auditors year end audit plan, approve the internal audit plan, review and approval of the budget and review the statutory, governance and other regulatory requirements affecting the Committee and its members as well as keeping members up to date on new accounting and related developments, review all the compliance related progress for the Committee including planning for the year-end audit.
- 5.2.2 Meetings in addition to those scheduled may, with approval of the Chairperson, be held at the request of the external auditors, the Chief Executive Officer, the Chief Financial Officer or any other person who may, consider that there is sufficient reason to request a meeting.
- 5.2.3 At least once per annum the Committee must meet with the external auditors without management, as the Committee may elect. Likewise, the Committee should meet at least once per annum with the head of internal audit and/or members of his team without the external auditors and management being present.
- 5.2.4 Members and/or invitees of the Committee may participate in and act at any meeting of the Committee through the use of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting by the person or persons so participating in accordance with the provisions of the Company's Memorandum of Incorporation.

5.3 Agenda and Minutes

- 5.3.1 The Committee must establish an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual work plan must ensure proper coverage of the matters laid out in the Committee's mandate and terms of reference. 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 work plan and any prevailing circumstances at the time.
- 5.3.2 Unless otherwise agreed, a detailed agenda, together with supporting documentation, must be circulated to the members of the Committee and other related attendees at least one week prior to each meeting. Committee members must be fully prepared for Committee meetings, to provide appropriate and constructive input on matters discussed.
- 5.3.3 The Group Company Secretary shall be responsible for the timeous distribution of the agendas and supporting papers to members and other attendees and the timeous production of minutes of the meeting for review by the Committee Chairperson and members of the Committee. Minutes of meetings shall be distributed to Committee members and must be formally approved by the Committee and signed by the Chairperson at its next scheduled meeting.
- 5.3.4 The Committee Chairperson shall make a brief report to the Board at the Board meeting immediately following any meeting of the Committee on any matters of importance as well as on the Committee's findings and recommendations to the Board. Supporting schedules and information reviewed by the Committee shall be available for examination by any director upon request to the Group Company Secretary.
- 5.3.5 The Group Company Secretary shall ascertain at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. If any conflict of interest exists, the director subject to the conflict shall not participate or vote on the issue giving rise to the conflict.
- 5.3.6 All minutes of meetings of the Committee must be reviewed by the Committee Chairperson prior to their distribution to the Committee members for review. The minutes must be formally approved by the Committee at its next scheduled meeting.

5.4 Quorum

- 5.4.1 A quorum for meetings is a majority of members present and available for the meeting.
- 5.4.2 Individuals in attendance at Committee meetings by invitation may participate in discussion but do not form part of the quorum for Committee meetings.

6 AUTHORITY

- 6.1 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 Chairperson of the Committee must be present at all

annual general meetings (“AGM”) to answer questions, through the Chairperson of the Board, on the report on the Committee's activities and matters within the scope of the Committee's responsibilities.

- 6.2 On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.
- 6.3 The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in this mandate and terms of reference. It has the power to investigate any activity within the scope of its mandate and terms of reference.
- 6.4 The Committee, in the fulfilment of its duties, may call upon the Chairmen of the other Board committees, any of the executive directors, Company officers, Group Company Secretary, other Company employees or assurance providers to provide it with information, subject to a Board approved process.
- 6.5 The Committee has unrestricted access to the Company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities.
- 6.6 The Committee may form, and delegate authority to, sub-committees and may delegate authority to one or more designated members of the Committee, subject to Board approval that such delegated authority will be generic and specified.
- 6.7 The Committee members, or the Committee as a whole are entitled, to engage, at the expense of the Company, the services of external advisors in respect of the affairs of the Company and to assist in the adequate carrying out of its/his duties associated with the Company at the expense of the Company after consultation with the Chief Executive Officer and Chief Financial Officer on affordability and funding of said external advisors.

7 RESPONSIBILITIES

The responsibilities of the Committee shall include:

7.1 Integrated Reporting

The Committee shall oversee integrated reporting, and in particular the Committee must:

- 7.1.1 have regard to all factors and risks that may impact on the integrity of the Integrated Annual 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;
- 7.1.2 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;
- 7.1.3 comment in the Integrated Annual Report on the financial statements, the accounting practices and the effectiveness of the internal financial controls;

- 7.1.4 review the disclosure of sustainability issues in the Integrated Annual Report to ensure that it is reliable and does not conflict with the financial information;
- 7.1.5 recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
- 7.1.6 recommend the Integrated Annual Report and interim report for approval by the Board;
- 7.1.7 consider the frequency for issuing interim results;
- 7.1.8 consider whether the external auditor should perform assurance procedures on the interim results;
- 7.1.9 review the content of the summarised information for whether it provides a balanced view; and
- 7.1.10 Assess the need to engage the external auditors to provide assurance on the summarised financial information.

7.2 Combined Assurance

The Committee shall ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities, and in particular the Committee should:

- 7.2.1 ensure that the combined assurance received is appropriate to address all the significant risks facing the Company; and
- 7.2.2 monitor the relationship between the external assurance providers and the Company.
- 7.2.3 The Committee shall also in its annual Audit Committee report, which forms part of the Annual Financial Statements and Integrated Annual Report, disclose its views on the effectiveness of the arrangement in place for combined assurance

7.3 Finance Function and Chief Financial Officer

- 7.3.1 The Committee is responsible for reviewing the expertise, resources and experience of the Company's finance function, and for disclosing the results of the review in the Integrated Annual Report.
- 7.3.2 ensure that the Company has established appropriate financial reporting procedures, and that those procedures are operating.
- 7.3.3 The Committee also considers and satisfies itself annually of the appropriateness of the expertise and experience of the Company's Chief Financial Officer, who shall be an executive director.

7.4 Internal Audit

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

- 7.4.1 be responsible for the appointment, performance assessment and/or dismissal of the internal auditors;
- 7.4.2 approve the internal audit plan;
- 7.4.3 approve and recommend for approval to the Board of an internal audit charter that defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted;
- 7.4.4 ensure that the arrangements for internal audit provide for the necessary skills and resources to address the complexity and volume of risk faced by the Group, and that internal audit is supplemented as required by specialist services such as those provided by forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries;
- 7.4.5 ensure that the internal audit function is subject to an independent quality review every three years or as and when the Committee determines it appropriate;
- 7.4.6 annually receive a written opinion from internal audit on internal financial control;
- 7.4.7 disclose its view on the effectiveness of the internal audit function and the arrangements for internal audit in its annual report to shareholders, which forms part of the Annual Financial Statements and Integrated Annual Report; and
- 7.4.8 Internal audit co-ordinates/facilitates the combined assurance model detailed under 10.2 supra.

7.5 Risk Management

- 7.5.1 The Committee should be an integral component of the risk management process and should specifically oversee amongst others the following Risk Committee functions as supported by Group Risk Management:
 - 7.5.1.1 financial reporting risks;
 - 7.5.1.2 internal financial controls;
 - 7.5.1.3 fraud risks as it relates to financial reporting; and
 - 7.5.1.4 IT risks as it relates to financial reporting.
- 7.5.2 Because the likelihood and magnitude of the potential risk will change as rapidly as the business climate changes, assessing the risk of fraudulent financial reporting is challenging. The Committee must ensure that the external auditors have considered this risk with reference to:
 - 7.5.2.1 the business environment;
 - 7.5.2.2 the financial liquidity of the Company;
 - 7.5.2.3 management's reputation, integrity and experience; and
 - 7.5.2.4 the relationship of management with the external auditors.

7.6 External Audit

The Committee is responsible for the recommending the appointment of the external auditor to shareholders for their approval at the Annual General Meeting, and to oversee the external audit process and in this regard the Committee must:

- 7.6.1 approve the terms of engagement and remuneration for the external audit engagement;
- 7.6.2 ensure that the appointment or re-appointment of the external auditor complies with the Act;

- 7.6.3 Detail a statement as to whether the Committee is satisfied that the external auditor is independent of the Group. The statement should specifically address:
- 7.6.3.1 The policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year;
 - 7.6.3.2 The tenure of the external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firm;
 - 7.6.3.3 The rotation of the designated external audit partner;
 - 7.6.3.4 Significant changes in the management of the Group during the external audit firm's tenure which may mitigate the associated risk of familiarity between the external auditor and management;
 - 7.6.3.5 Significant matters that the Committee has considered in relation to the annual financial statements, and how these were addressed by the Committee;
 - 7.6.3.6 The Committee's views on the quality of the external audit, with reference to audit quality indicators such as those that may be included in inspection reports by external audit regulators;
 - 7.6.3.7 The Committee's views on the effectiveness of the chief audit executive and the arrangements for internal audit.
 - 7.6.3.8 The Committee's views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in the design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.
- 7.6.4 monitor and report on the independence and objectivity of the external auditor in the annual financial statements;
- 7.6.5 define a policy for non-audit services which may be provided by the external auditor;
- 7.6.6 approve the contracts for non-audit services to be rendered by the external auditor;
- 7.6.7 ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor; and review the quality control procedures and effectiveness of the external audit process.
- 7.6.8 disclose its views on audit quality with reference to the audit quality indicators such as those that may be included in inspection reports issued by external audit regulators in its annual report to shareholders, which forms part of the Annual Financial Statements and Integrated Annual Report;
- 7.6.9 consider whether the external auditor is accredited by the JSE Limited as required in terms of the JSE Limited Listings Requirements;
- 7.6.10 request from the audit firm (and if necessary, consult with the audit firm) on the information detailed in paragraph LR 22.15 (h) in their assessment of the suitability for appointment of their current or a prospective audit firm and the designated individual partner both when they are appointed for the first time and/or for every reappointment thereafter;
- 7.6.11 review the external auditor's management letter and management's response, if available, and/or consider the matters to be dealt with therein;
- 7.6.12 every other year evaluate the external auditor performance and effectiveness taking into consideration factors such as, inter alia, audit planning, technical abilities, audit process/ outputs and quality control, business insight, consultancy abilities and independence; and
- 7.6.13 discuss problems and reservations (if and when applicable) arising from the annual audit and any matters incidental thereto which the external auditor may wish to discuss (in the absence of management where necessary).

7.7 Review of Financial Statements

The objective of the review is to ensure that disclosure is adequate, and that fair presentation is achieved. . . Such a review would entail:

- 7.7.1 obtaining explanations for all significant variances in the financial statements;
- 7.7.2 reviewing the Company's accounting policies or major changes in policies which management should consider making or have already implemented;
- 7.7.3 examining the effect of changes in International Financial Reporting Standards (IFRS);
- 7.7.4 enquiring about any significant financial reporting issues discussed during the accounting period between management and the auditors and how they were resolved;
- 7.7.5 assessing significant judgmental decisions that had a major impact on the financial statements;
- 7.7.6 reviewing any significant adjustments resulting from the audit;
- 7.7.7 examining compliance with accounting standards and with The JSE Listings Requirements and other statutory requirements;
- 7.7.8 obtaining reasons for significant loss-making operations and considering whether the value of their related assets is fairly stated in the balance sheet;
- 7.7.9 reviewing significant transactions which are not a normal part of the Company's business;
- 7.7.10 reviewing the adequacy of the doubtful debt and inventory provisions or assess a balance that requires management to apply professional judgment;
- 7.7.11 being kept informed of all outstanding litigation, contingencies and claims and how these matters are reflected in the Company's financial statements;
- 7.7.12 reviewing the extent, nature and disclosure of extraordinary, exceptional or non-trading items;
- 7.7.13 discussing all significant proposed changes to the Company's financial statements and any concerns over the adequacy of disclosure of any items;
- 7.7.14 enquiring about the status of tax affairs; e.g. submission of tax returns, outstanding assessments, movement in assessed losses, items disputed by the tax authorities, etc.;
- 7.7.15 reviewing the overall effective tax rate and the extent of tax planning. Reviewing the movement in deferred tax balances;
- 7.7.16 understanding the extent to which the financial information in the financial statements has been audited;
- 7.7.17 obtaining clarity regarding balance sheet financing;
- 7.7.18 obtaining written feedback from each region's financial manager on the financial implications, and by the country manager on other issues in those regions; and
- 7.7.19 disclosing significant matters that the Committee has considered in relation to the Annual Financial Statements and how these were addressed by the Committee in its annual report to the Board and shareholders, which forms part of the Annual Financial Statements and Integrated Annual Report.

7.8 Technology and Information Governance

The Board is responsible for Information Technology (IT) governance and has delegated this responsibility to the Committee. The Committee therefore shall assist the Board in carrying out amongst others the following IT responsibilities:

- 7.8.1 The Committee is responsible for overseeing that the governance of technology and information is achieved in such a manner that it supports the Group in setting and achieving its strategic objectives and should approve policy that articulates and gives effect to its set direction on the employment of technology and information.

- 7.8.2 The Committee shall set the direction for how technology and information is approached and addressed in the Group.
- 7.8.3 The Committee shall approve policy that articulates and gives effect to the set direction on the employment of technology and information.
- 7.8.4 Management shall be responsible for the implementation and execution of effective technology and information management.
- 7.8.5 The Committee should exercise ongoing oversight of the management of information and in particular, oversee that it results in the following:
 - 7.8.5.1 leveraging of information to sustain and enhance the Group's intellectual capital;
 - 7.8.5.2 an information architecture that supports confidentiality, integrity and availability of information;
 - 7.8.5.3 the protection of privacy of personal information; and
 - 7.8.5.4 the continual monitoring of security of information.
- 7.8.6 The Committee should exercise ongoing oversight of the management of technology, and in particular oversee that it results in the following:
 - 7.8.6.1 a technology architecture that enables the achievement of strategic and operational objectives;
 - 7.8.6.2 the management of the risks pertaining to the sourcing of technology;
 - 7.8.6.3 monitoring and appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the Group and its business model.
- 7.8.7 The Committee shall consider and make recommendations to the Board on the need for periodic independent assurance on the effectiveness of the Group's technology and information arrangements, including outsourced services.
- 7.8.8 The following should be disclosed in relation to information and technology:
 - 7.8.8.1 An overview of the arrangements for governing and managing technology and information;
 - 7.8.8.2 Key areas of focus during the reporting period, including objectives, significant changes in policy, significant acquisitions and remedial actions taken as a result of major incidents;
 - 7.8.8.3 Actions taken to monitor the effectiveness of technology and information management and how the outcomes were addressed; and
 - 7.8.8.4 Planned areas of focus.

7.9 Whistle Blowing and Fraud

The Committee shall:

- 7.9.1 review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 7.9.2 ensure that there is a process in place to be informed of any reportable irregularities identified and reported by the external auditor; and

- 7.9.3 review the Company's procedures for detecting and preventing fraud and bribery and receiving reports on non-compliance.

7.10 **King IV Report on Corporate Governance for South Africa 2016 (King IV)**

The Committee shall make the disclosures as required by King IV in its annual report to shareholders, which forms part of the Annual Financial Statements and Integrated Annual Report (refer to the work plan for disclosures).

7.11 **Tax Policy**

The Committee shall satisfy itself that the Group has a tax policy in place, which is compliant with applicable laws and is congruent with responsible corporate citizenship, and that takes account of reputational repercussions.

7.12 **Going Concern**

The Committee is responsible for reviewing the basis on which the Company has been determined to be a going concern and shall examine the Company's compliance with the solvency and liquidity requirements prescribed by sections 45 and 46 of the Act.

8 **REPORTING REQUIREMENTS**

- 8.1 The external and internal auditors shall have unrestricted access to the Committee and its Chairperson.
- 8.2 Pursuant to Section 94 (7) (f) of the Act, the Committee shall prepare a report, to be included in the annual financial statements for that financial year. The report must: -
 - 8.2.1 describe how the Committee carried out its functions;
 - 8.2.2 state whether the Committee is satisfied that the external auditor was independent of the Company; and
 - 8.2.3 contain comment in any way the Committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the Company.
- 8.3 As a minimum, the Committee should provide the following information in the Integrated Annual Report:
 - 8.3.1 a summary of the role of the Committee;
 - 8.3.2 a statement on whether or not the Committee has adopted a formal mandate and terms of reference that have been approved by the board and if so, whether the Committee satisfied its responsibilities for the year in compliance with its mandate and terms of reference;
 - 8.3.3 the names and qualifications of all members of the Committee during the period under review, and the period for which they served on the Committee;
 - 8.3.4 the number of Committee meetings held during the period under review and members' attendance at these meetings;
 - 8.3.5 a statement on whether or not the Committee considered and recommended the internal audit charter for approval by the Board;
 - 8.3.6 report on the effectiveness of the Company's internal controls;

- 8.3.7 information about any other responsibilities assigned to the Committee by the Board;
- 8.3.8 a statement on whether the Committee complied with its legal, regulatory or other responsibilities; and
- 8.3.9 a statement on whether or not the Committee recommended the Integrated Annual Report to the Board for approval.

9 RELATIONSHIP WITH EXTERNAL AUDITORS

- 9.1 The external auditors are expected to bring to the reporting process technical competence, business judgment, integrity and objectivity. The Committee is responsible for communicating with the external auditors regarding their annual audit of the financial statements, as well as their participation in interim reporting. Communication with the external auditors must be free and open to ensure the Committee is informed of potential inaccuracies in the financial statements, significant deficiencies in internal controls, alternative accounting treatments and other significant findings during the course of their audit work.
- 9.2 External audit fees for the year ahead shall be budgeted by the external auditors in consultation with management based on such information and expectations as seem reasonable and necessary at the time. The budget and its assumptions shall be presented to the Committee for its approval. The external auditors shall report to the Chairperson of the Committee should they consider the scope of the audit to have been restricted

10 INTERNAL CONTROLS

- 10.1 An internal control environment which provides assurance that internal controls are effective and would prevent any lapses in controls/financial losses.
- 10.2 The Committee is responsible for ensuring that an effective and sufficiently robust combined assurance model is applied to provide a coordinated approach to all assurance activities, so as to enable the Board to be able to place reliance on the combined assurance underlying the statements that the Board makes concerning the integrity of the Group's external reports.
- 10.3 Strong internal controls are an essential component of assuring sound financial reporting and the protection of assets. An effective internal audit function is also an important part of the control environment. Management generally oversees the work of the internal auditors in evaluating and testing the internal control structure but shall not override or interfere with the principle of reliable, independent and professional standards in evaluating and testing such structures.
- 10.4 The Committee shall have direct access to the internal auditors so that it can receive input on the adequacy of controls and initiate special audit emphasis if necessary.
- 10.5 The Committee shall in its annual report, which forms part of the Annual Financial Statements and Integrated Annual Report, provide a written assessment of its views on the effectiveness of the design and implementation of internal financial controls, and on the nature and extent of any significant weaknesses in design, implementation or execution of internal financial controls that resulted in material financial loss, fraud, corruption or error.

11. REIMBURSEMENT OF EXPENSES

- 11.1 Members of the Committee should ensure that they are reimbursed for all direct and indirect expenses reasonably and properly incurred in performance of their duties as a member, e.g. accommodation and travelling expenses.
- 11.2 In addition to fees payable to them as directors of the Company from time to time, members of the Committee shall receive attendance fees for attending meetings of the Committee and for performing any additional Committee functions in accordance with the Company's remuneration policies as approved by the shareholders of the Company. The remuneration shall be fair, responsible and transparent so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

12. REVIEW AND ASSESSMENT

- 12.1 The Committee's activities and effectiveness should be assessed periodically and reviewed by the Board.
- 12.2 This mandate and terms of reference may, from time to time, be amended as required, subject to the approval of the Board.
- 12.3 These terms of reference will be due for review annually or where otherwise required.

This Terms of reference was reviewed and approved by the Board of Directors in March 2020.