

	<b>AUDIT &amp; RISK COMMITTEE CHARTER</b>	www.afrimat.co.za
		F2017

## 1. Constitution

- 1.1 In line with the requirements of the Companies Act as amended (“Act”) and the King Report on Governance for South Africa 2009 (“King III”), the Board of Directors (“Board”) of Afrimat Limited (“Afrimat” or “Company”) resolved to establish a committee of the Board to be known as the Audit & Risk Committee (“Committee”).

## 2. Membership

- 2.1 The Committee shall be appointed by the shareholders and shall at least comprise of 3 (three) non-executive directors of the company, all of whom must be independent as defined in King III. The Board should select, in co-operation with the Remuneration & Nominations Committee, candidates for the Committee.
- 2.2 A quorum shall be more than 50% of the members present in person or via telecommunication facilities.
- 2.3 The members of the Committee collectively should have sufficient qualifications and experience so as to enable them to discharge their duties as set out in Section 6 hereof.
- 2.4 The chairman of the Committee shall be appointed by the Board and shall be an independent non-executive director.
- 2.5 The chairman of the Board may be a member of the Committee.
- 2.6 The chairman of the Committee will be required to attend the Company’s annual general meeting to answer relevant questions posed by shareholders.
- 2.7 All Committee members will be required to keep up to date with developments affecting the areas of responsibility of the Committee.

## 3. Attendance at meetings

- 3.1 The Financial Director (“FD”), the chief audit executive (“CAE”), the chief risk officer (if any) will be required to attend all meetings. Other assurance providers (if any) and a representative of the external auditors will be required to attend meetings when requested by the Committee or if they request to attend any meeting.

- 3.2 The Chief Executive Officer (“CEO”) will have a standing invitation to attend the meetings of the Committee.
- 3.3 Other Board members shall have the right of attendance, with the prior consent of the chairman of the Committee.
- 3.4 The Committee shall meet annually with the external auditors without management and with or without other Board members, as the Committee may elect. Likewise the Committee should meet at least once a year with the “CAE” and members of his team without the external auditor, management or the FD being present.
- 3.5 The company secretary shall be the secretary of the Committee and will be responsible for the preparation of the meeting agenda in consultation with the chairman and FD.

#### **4. Frequency of meetings**

- 4.1 Meetings shall be held not less than four times a year. These meetings should be prior to the commencement of the annual external audit; prior to the Board’s approval of the interim results; after the completion of the annual external audit and prior to the Board’s approval of the annual financial statements and annual report (“the integrated report”).
- 4.2 Any member of the Committee or Board member or the external auditors or the “CAE” or chief risk officer (if any) may request a meeting if deemed necessary and a meeting will then be arranged in consultation with the chairman of the Committee.

#### **5. Authority**

- 5.1 The Committee is authorised by the Board to investigate any activity within its charter and statutory duties. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee. The Committee shall have unrestricted access to Company’s records and facilities in the discharge of its duties and responsibilities.
- 5.2 The Committee is authorised by the Board, subject to the approved process, to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if deemed necessary.
- 5.3 The Company shall meet all expenses reasonably incurred by the Committee in the fulfilling of its duties.

## 6. Duties

In fulfilling its function, the Committee should specifically have oversight of financial reporting risks, internal financial controls, fraud risks and IT risks. For this purpose, the duties of the Committee shall be to:

### **External auditors, audit process and financial reporting**

- 6.1 consider the appointment and / or termination of the external auditors and to nominate for appointment a registered auditor who is independent of the Company as and when required;
- 6.2 determine the annual audit fee and terms of engagement of the external auditors;
- 6.3 annually review the independence, objectivity and effectiveness of the external auditors and the quality and effectiveness of the external audit process;
- 6.4 ensure that the appointment of the external auditors complies with the provisions of the Act and any other applicable legislation;
- 6.5 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 every 5 (five) years;
- 6.6 determine the nature and extent of non-audit services which the external auditors may provide, subject to the provisions of the Act, and ensuring proper disclosure of such services and related fees in the annual financial statements as required;
- 6.7 pre-approve any proposed contract with the external auditors for the provision of non-audit services to the Company;
- 6.8 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;
- 6.9 review and comment on the half year and annual financial statements before submission to the Board, focusing particularly on:
  - 6.9.1 any changes in accounting policies and practices;
  - 6.9.2 major judgemental areas;
  - 6.9.3 significant adjustments resulting from the audit;

- 6.9.4 the going concern statement;
  - 6.9.5 compliance with accounting standards;
  - 6.9.6 compliance with stock exchange and statutory requirements;
  - 6.9.7 Reliability and accuracy of the financial information provided to management and other users of financial information.
- 6.10 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);
  - 6.11 review any accounting or auditing concerns identified as a result of the internal or external audits;
  - 6.12 Review the external auditor's management letter and management's response, if available, and / or to consider the matters to be dealt with therein. Ensure that a process is in place for the Committee to be informed of any "reportable irregularities" as identified by the external auditors;
  - 6.13 review the Company's statement on internal control systems prior to endorsement by the Board;

#### **Internal audit**

- 6.14 approve the structure of the internal audit function – internal function or outsourced – as proposed by management;
- 6.15 approve the appointment of an outside service provider as internal auditor and CAE.
- 6.16 approve the dismissal of the internal auditor or CAE;
- 6.17 annually review the performance and objectivity of the internal auditor or CAE and subject the internal audit function to an independent quality review as and when deemed necessary by the Committee;
- 6.18 review the internal audit charter and the internal audit plan as well as the resources required and recommend to the Board for approval;
- 6.19 review the functioning of the internal audit programme and department, ensure co-ordination between the internal and external auditors; and ensure that any internal audit function is adequately resourced and has appropriate standing within the Company;

- 6.20 receive and review the internal audit report at each meeting of the Committee as well as the annual assessment of internal financial controls;
- 6.21 consider the major findings of internal investigations and management's response;

### **Risk management and compliance**

- 6.22 review and recommend the risk management policy and plan to the Board for approval;
- 6.23 annually review and recommend the levels of risk tolerance to the Board for approval;
- 6.24 ensure that risks taken are within the risk tolerance and appetite levels;
- 6.25 review the processes and procedures for risk identification, analysis and quantification, including the systematic, documented, formal risk assessment to be undertaken annually;
- 6.26 review the processes implemented to monitor the ongoing management of risks;
- 6.27 regularly review the risk register as prepared and maintained by management;
- 6.28 review reports from internal audit on the effectiveness of the processes and procedures of risk management;
- 6.29 submit an annual report to the Board on the total risk management and assessment process and outcomes;
- 6.30 review the Company's compliance with legal and regulatory provisions, its articles of association, code of ethics and the rules established by the Board and consider, as part of the risk management process, the risk of non-compliance;

### **Integrated reporting and assurance model**

- 6.31 oversee integrated reporting, 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;
- 6.32 review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;

- 6.33 review the Company's internal and external assurance model and recommend to the Board the engagement of an external assurance provider on material sustainability issues when deemed necessary;
- 6.34 monitor the relationship between the Company and the external assurance providers;
- 6.35 annually review the expertise, resources and experience of the Company's finance function and disclose the results of the review in the integrated report;

### **General**

- 6.36 give due consideration to the Listings Requirements of the JSE Limited and the code of governance principles as contained in the King Report on Corporate Governance for South Africa;
- 6.37 retain a copy of the Committee's charter at the registered office of the Company and provide shareholders with a copy of same if requested;
- 6.38 include a report in the annual financial statements of the Company describing how the Committee carried out its functions, stating whether it is satisfied that the external auditors are independent of the Company, presenting the Committee's views on the financial statements and the accounting practices and stating whether the internal financial controls are effective;
- 6.39 in addition to the above report, include a report in the integrated report summarising its role and providing details of its composition, number of meetings and activities;
- 6.40 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;
- 6.41 fulfil all of the abovementioned functions in respect of the Company and all of its subsidiaries and related entities, where appropriate, and
- 6.42 consider such other topics and fulfil such other duties as defined by the Board.

## **7. Reporting procedure**

- 7.1 The Committee's secretary shall take minutes of meetings. Minutes of all meetings shall be circulated to all the members of the Committee and be circulated to other members of the Board.
- 7.2 The Committee shall annually report to the Board on its statutory duties in

terms of the Act and duties assigned to it by the Board as set out in this document.

- 7.3 An Audit & Risk Committee report to be published in the annual integrated report to shareholders.

## **8. General**

- 8.1 The Committee's activities and effectiveness shall be assessed annually and reviewed with the Board.

- 8.2 This charter may be amended as required, subject to the approval of the Board.

- 8.3 This charter shall be reviewed on an annual basis by the Committee and the Board.

**END.**