



# AUDIT AND RISK COMMITTEE CHARTER

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## 1. DEFINITIONS AND INTERPRETATION

Term	Meaning
<b>“audit and risk committee” or the “committee”</b>	A sub-committee of the board tasked with assisting the board with audit and risk related issues to which this charter relates.
<b>“board”</b>	The board of directors of Northam.
<b>“board charter”</b>	The board of directors charter governing the role and responsibilities of the board.
<b>“business days”</b>	Every official workday of the week.
<b>“code of ethics”</b>	Northam code of ethics outlining the mission and values of the company, how employees may seek advice, the ethical principles based on the company’s core values and the standards to which employees are held.
<b>“Companies Act”</b>	Companies Act No 71 of 2008, as amended.
<b>“charter”</b>	The audit and risk committee charter herein governing the role and responsibilities of the committee.
<b>“Chief Audit Executive” or “CAE”</b>	The Chief Audit Executive is a high-level independent corporate executive with the overall responsibility for internal audit. A CAE in terms of King IV should not be a member of the executive management team for reasons of independence.
<b>“Chief Executive Officer” or “CEO”</b>	A Chief Executive Officer is the highest-ranking executive in a company. This director’s primary responsibilities include making major corporate decisions, managing the overall operations and resources of a company, and acting as the main point of communication between the board and corporate operations.
<b>“Chief Financial Officer” or “CFO”</b>	A Chief Financial Officer is an executive director primarily responsible for managing the financial risks of a company. This director is also responsible for financial planning and record keeping, as well as financial reporting to the board.
<b>“combined assurance model”</b>	Ensuring that a co-ordinated (combined) approach is applied in receiving assurance on whether key risks are being managed appropriately within an organisation.
<b>“external audit”</b>	An independent function that performs an audit of financial statements in accordance with specific laws or rules.
<b>“external auditor”</b>	Performs an audit, in accordance with specific laws or rules, of the financial statements of a company, and is independent of the company being audited.
<b>“group”</b>	Northam Platinum Limited and all its subsidiaries.
<b>“Institute of Internal Auditors”</b>	Internal audit and risk management guidance-setting body.
<b>“internal auditor”</b>	An individual performing independent, objective assurance and consulting activity designed to add value and improve an organization’s operations.
<b>“JSE”</b>	JSE Limited stock exchange.
<b>“King IV”</b>	King IV Code on Corporate Governance of South Africa, 2016.
<b>“memorandum” or “MOI”</b>	Northam Platinum Limited memorandum of incorporation.
<b>“nomination committee”</b>	The nomination committee reviews the structure, size and composition of the board, the appointment of members to board committees and makes recommendations to the board as appropriate.
<b>“non-executive board member”</b>	A member of the board of directors who does not form part of the executive management team.
<b>“Northam or the “company”</b>	Northam Platinum Limited.
<b>“risk management”</b>	Forecasting and evaluation of financial risks together with the identification of procedures to avoid or minimize their impact.
<b>“shareholder”</b>	An owner of shares in Northam.
<b>“SAICA”</b>	South African Institute of Chartered Accountants.
<b>“Standards for the Professional Practice of Internal Auditing”</b>	A framework for performing and promoting internal auditing.

## **2. INTRODUCTION**

The audit and risk committee is constituted in terms of the Companies Act. In terms of Northam's listing on the JSE, it is required to adhere to King IV.

- 2.1. The committee is constituted as a statutory committee of the company in respect of its statutory duties in terms of section 94(7) of the Companies Act and a sub-committee of the board in respect of all other duties assigned to it by the board.
- 2.2. The committee should assist the board in carrying out its functions relating to the safeguarding of assets, the operation of adequate risk management and control processes and the preparation of financial statements in compliance with all applicable legislation and regulations, and the oversight of the external and internal audit appointments and function.
- 2.3. The committee does not provide relief to board members for their joint and several responsibilities regarding their fiduciary duties and they must continue to exercise due care and judgement in accordance with their legal obligations.
- 2.4. This charter is subject to the provisions of the Companies Act, memorandum, King IV and any other applicable law or regulatory provision. Where this charter conflicts with any legislation and / or rules of the Companies Act, and / or the memorandum, that legislation and / or regulation takes precedence over this charter.

## **3. PURPOSE AND OBJECTIVES**

- 3.1. The purpose of this charter is to outline the committee's role and responsibilities. This includes meeting procedures and its composition.
- 3.2. This charter is to be periodically reviewed and modified to ensure that it is effective. The board must minute the approvals and ensure distribution to all senior management, external and internal auditors.
- 3.3. The objective of this charter is to ensure that key audit and risk functions are identified and incorporated in the key planning processes of the company.

## **4. SCOPE AND APPLICABILITY**

This charter applies to all members of the committee.

## **5. COMPOSITION OF THE COMMITTEE**

- 5.1. The committee shall comprise of at least 3 (three) non-executive board members elected by shareholders on the recommendation of the nomination committee. All members of the committee must be independent, non-executive board members, meet all applicable independence requirements, and be appropriately qualified as required by King IV.

- 5.2. The chairperson of the board is not eligible to be chairperson or a member of this committee and the chairperson of this committee must be an independent, non-executive director.
- 5.3. Collectively, members of this committee must have the appropriate mix of qualifications and experience in order to fulfil their duties adequately. Such qualifications and skills will include expertise and/or experience in the following fields:
  - 5.3.1 financial;
  - 5.3.2 legal;
  - 5.3.3 risk management;
  - 5.3.4 sustainability issues and reporting;
  - 5.3.5 internal financial control;
  - 5.3.6 external and internal audit processes;
  - 5.3.7 information technology (“IT”) governance;
  - 5.3.8 corporate governance;
  - 5.3.9 ethics; and
  - 5.3.10 integrated reporting.
- 5.4. Members of the committee are required to ensure they are fully appraised of latest developments in the mining industry and in commerce generally.
- 5.5. Important attributes of the members are an independent and enquiring mind-set, a reasonable understanding of the complexities involved and an appreciation of the business and mining industry.
- 5.6. The board must elect the chairperson of this committee and any vacancy of this chairpersonship must be filled within 40 (forty) business days of it arising.
- 5.7. The tenure of committee members shall be reviewed in terms of the nomination charter.

## **6. ROLE OF THE COMMITTEE**

- 6.1. The role of this committee is an independent one with accountability to the board and to shareholders. It is also an overseer and makes recommendations to the board for final approval. The committee cannot assume the function of management, which remains the responsibility of the executive directors, officers and senior management.
- 6.2. Regarding risk, the committee should ensure that the company has an effective risk policy and a plan for risk management in order to assist the company in achieving its strategic goals and that the disclosure of risk is complete, timely and relevant. The committee is an integral component of the risk management process and specifically the committee shall oversee:
  - 6.2.1. Financial reporting risks;

- 6.2.2. Internal financial controls;
- 6.2.3. Fraud risks as it relates to financial reporting;
- 6.2.4. IT risks as it relates to financial reporting.

## **7. STATUTORY DUTIES**

The committee must:

- 7.1. Nominate for appointment an independent registered external auditor who in the opinion of the committee is independent of the company;
- 7.2. Oversee the selection process for a new external auditor, and if an external auditor resigns, investigate any issues leading to such resignation.
- 7.3. Determine and monitor the fees to be paid and the terms of engagement of the external auditor;
- 7.4. Ensure that the appointment of the external auditor complies with the Companies Act and other relevant legislation;
- 7.5. Determine the nature and extent of any non-audit services which the external auditor may provide to the company, or that the external auditor must not provide to the company, or a related company;
- 7.6. Pre-approve any proposed contract with the external auditor for the provision of non-audit services to the company.
- 7.7. Prepare a report, to be included in the annual financial statements for that financial year:
  - 7.7.1. Describing how the committee carried out its functions;
  - 7.7.2. Stating whether the committee is satisfied that the external auditor was independent of the company;
  - 7.7.3. Consider significant matters in relation to the annual financial statements and how these are addressed;
  - 7.7.4. Committee's view on the quality of the external audit, and
  - 7.7.5. Commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company.
- 7.8. Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to:
  - 7.8.1. the accounting practices and internal audit of the company;
  - 7.8.2. the content or auditing of the company's financial statements;
  - 7.8.3. the internal financial controls of the company; and
  - 7.8.4. any related matter.

- 7.9. Make submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting;
- 7.10. Perform such other oversight functions as may be determined by the board.
- 7.11. Ensure compliance with all relevant legislation, regulations and policies.

## **8. RELATIONSHIPS WITH MANAGEMENT, INTERNAL AND EXTERNAL AUDITORS**

- 8.1. The committee shall meet at least annually with the internal and external auditors respectively, without management being present, to facilitate the exchange of views and concerns considered inappropriate for discussion in an open forum.
- 8.2. The committee shall review management's evaluation of factors related to the independence of the external and internal auditors. The committee shall assist both external and internal auditors in preserving their independence.
- 8.3. The committee shall review and concur on the appointment or replacement, reassignment or dismissal of the head of internal audit.
- 8.4. The committee shall enquire as to whether the internal audit function complies with the standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors.

## **9. RESPONSIBILITIES AND CHARTER**

The committee is responsible for overseeing the company's risk management process and internal control structure including financial control, accounting systems and reporting, operational controls and compliance with regulations. The committee has the following responsibilities:

### **9.1. Integrated reporting:**

In terms of good corporate governance and King IV, companies should produce an integrated report, which the committee must oversee. The committee must review the integrity of the integrated report including all the necessary reporting requirements in terms of King IV, as included in this charter.

### **9.2. Combined assurance:**

The committee must ensure that the combined assurance policy and framework is applied and provides a coordinated approach to all assurance activities, and in particular, the committee shall:

- 9.2.1. Ensure that the combined assurance policy and framework is appropriate to address all the significant risks facing the company; and
- 9.2.2. Monitor the relationship between the external assurance providers of the company.

### **9.3. CFO and the finance function:**

The committee must ensure the following:

- 9.3.1. On an annual basis, confirm that the CFO is suitably qualified and experienced, and must confirm this by reporting to shareholders in its annual report that the committee has executed this responsibility:
- 9.3.2. That the finance department of the company has adequate resources and experience to manage the company's financial function. This must be reported in the integrated report.

### **9.4. Internal audit:**

The committee is responsible for overseeing the internal audit function and in so doing; it must do the following:

- 9.4.1. Recommend the appointment or termination of the internal audit function to the board and assess the performance of the CAE;
  - 9.4.1.1. Where the internal audit function is outsourced to a firm, the committee may recognise the outsourced internal audit director or partner of the firm as the CAE.
  - 9.4.1.2. The CAE should report to the chair of the committee on the performance of duties and functions that relate to internal audit. On other duties and administrative matters, the CAE should report to the member of executive management (CFO) designated for this purpose as appropriate for the organisation.
- 9.4.2. Approve the internal audit plan, mandate and budget with particular emphasis on risk areas;
- 9.4.3. Ensure that the internal audit function is independent and adequately qualified and resourced on a continuous basis and assess its performance;
- 9.4.4. Approve deviations from the approved internal audit plan or any changes in the audit scope or approach;
- 9.4.5. Review of the extent to which the internal audit function has co-ordinated with other internal and external assurance providers in providing proper coverage;
- 9.4.6. Review the internal audit results and significant audit findings together with the relative management comments and action plans; and
- 9.4.7. Consider and review any difficulties encountered in the course of the audits, including any restrictions on the scope of internal audit's work or access to required information.



## 9.5. Risk management:

The committee is also responsible for the management of risk and its mitigation within the company and its subsidiaries, including the responsibility to:

- 9.5.1 Promote and enforce the highest degree of ethical standards in business practices within the organisation and in external relationships;
- 9.5.2 Oversee the development and annual review of the company's risk management policy and framework and recommend for approval by the board.
- 9.5.3 Monitor implementation of the risk management policy and framework;
- 9.5.4 Make recommendations to the board concerning the levels of risk tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the board;
- 9.5.5 Ensure that risk management assessments are performed by management on a continuous basis;
- 9.5.6 Ensure that the risk management policy and framework is widely disseminated throughout the company and integrated in the day-to-day activities of the company;
- 9.5.7 Oversee internal financial control, IT risk, fraud risk and all risks associated with financial reporting;
- 9.5.8 Ensure that management continuously monitors risk and its mitigation;
- 9.5.9 Ensure that adequate insurance cover remains in place.
- 9.5.10 Ensure that there is an adequate framework and methodologies for both implementation of recommended changes and anticipation of "black swan" (extraordinary / unexpected) events;
- 9.5.11 Ensure that management considers and implements appropriate risk responses;
- 9.5.12 Review the risk register and ensure that it is adequately updated and is complete, timely and relevant;
- 9.5.13 Express the committee's formal opinion to the board regarding the effectiveness of the system and process of risk management in the company;
- 9.5.14 Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant; and
- 9.5.15 Oversee and monitor the adequacy of internal controls within the company specifically related to financial reporting risks and fraud risks (and any incidents of fraud).
- 9.5.16 The other board committees, namely the:
  - health, safety and environmental committee;
  - investment committee;
  - nomination committee.
  - social, ethics and human resources committee;

oversee potential risks pertaining to their mandates and the chairperson of each committee reports back to the board at each board meeting.

**9.6. External audit:**

One of the committee's responsibilities is to recommend the appointment of external auditors and to monitor the external audit process. To do this, the committee must:

- 9.6.1 Nominate an independent external auditor for appointment and approval by shareholders;
- 9.6.2 Ensure that mandatory rotations of both the external auditors (once every 10 years) and the individual audit partner (once every 5 years) are conducted in accordance with SAICA and the Companies Act;
- 9.6.3 Approve the engagement terms and remuneration of external auditors;
- 9.6.4 Report and monitor the independence of the external auditor in the financial statements;
- 9.6.5 Pre-approve non-audit services to be rendered to the company;
- 9.6.6 Define a policy for non-audit services to be provided by external auditors;
- 9.6.7 Ensure that there is a process, in terms of which the committee is informed of any "Reportable Irregularities", as identified in the Audit Profession Act No. 26 of 2005, identified and reported by the external auditor;
- 9.6.8 Ascertain the effectiveness of the external audit process;
- 9.6.9 Ensure that the audit firm and where appropriate, the individual auditor responsible for the audit function is accredited as such on the JSE list of auditors and their advisors as required by the listing requirements of the JSE.

**9.7. Other responsibilities:**

- 9.7.1. The committee shall have direct and unobstructed lines of communication to the board, external and internal auditors;
- 9.7.2. The committee shall have the right of access to records containing information needed to properly perform its duties and execute its powers; and

**9.8. Authority:**

- 9.8.1. In terms of the audit function, the committee has decision-making authority with regard to its statutory duties; in this respect, it is accountable to both the board and shareholders. The chairperson of the committee must therefore be present at all AGMs of the company;
- 9.8.2. In terms of its risk function responsibility, the committee acts in terms of the delegated authority of the board as recorded in this charter;
- 9.8.3. In fulfilling its duties, it may call upon the chairpersons of other board committees, any executive directors, company officers, company

secretary, assurance providers or any other professional or person to provide it with information; and

- 9.8.4. The committee also should have reasonable access to the company's records, facilities, employees and any other resources that may be necessary to discharge its duties and responsibilities. The committee also has a right to obtain independent external professional advice in executing its duties if deemed appropriate. The committee may form, delegate authority to, and direct sub-committees or members of the committee. The committee makes recommendations to the board in any area of its ambit as it deems appropriate.

## **10. MEETINGS AND PROCEDURES**

10.1. The chairperson has the right to exclude any items to be discussed while attendees are present where a conflict of interest becomes evident.

10.2. Special meetings may be called by any member of the committee, including at the request of the external or internal auditors or legal advisors, or at the instance of the board where such further meeting is considered necessary.

### **10.3. Frequency:**

10.3.1. At least 2 (two) meetings must be held per annum, however, the committee and management may agree on appropriate scheduled meetings. At least once a year the committee must meet with the internal and external auditors without the presence of management;

10.3.2. The CEO, CFO, other members of senior management or external auditor or internal auditor may however, with the approval of the chairperson, request a meeting or attendance at the meetings, which may not be unreasonably withheld;

10.3.3. Reasonable notice of meetings confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded timeously to each member of the committee, and any other person required to attend the meeting; and

10.3.4. The chairperson of the committee may consult members of the committee at any time and members may conclude any matter requiring the approval of the committee by means of a round robin resolution to be approved by the full committee.

### **10.4. Attendance:**

10.4.1. The committee may invite the CEO, CFO, other senior management representatives, external auditors, internal auditors, other assurance providers, professional adviser and board members to attend its meetings should it so require. These parties will have no voting power,,

10.4.2. Committee members must attend all scheduled meetings including ad-hoc ones unless prior apology with reasons has been submitted to the chairperson or company secretary. If the nominated chairperson is unavailable, members may elect one of the members present to act as

chairperson. The company secretary is the secretary of this committee unless he or she is unavailable, in which case the committee may appoint a person to take minutes; and

10.4.3. The CFO, head of internal audit and external audit shall have unrestricted access to the chairperson or any other member of the committee as is required in relation to any matter falling within the remit of the committee.

#### **10.5. Agenda and minutes:**

10.5.1. The committee must establish an annual plan that will ensure that all relevant matters are covered on its agendas of planned meetings. This plan must cover all functions and responsibilities of the charter. The agenda must be pre-circulated at least 4 (four) business days before each meeting and members should ensure that they are adequately prepared for the matters to be discussed;

10.5.2. Minutes of the meeting should be circulated in good time for members to review and must be formally approved;

10.5.3. Once approved, these minutes should be distributed to all the members of the board for information purposes; and

10.5.4. The agenda should clearly indicate what the audit and risk committee is to consider.

#### **10.6. Quorum:**

A simple majority of members is a quorum. Invited participants are not part of the quorum and do not vote.

### **11. COMPLIANCE WITH LAWS AND REGULATIONS**

The committee must consider the legal and regulatory requirements to the extent that it may have an impact on the financial statements.

### **12. EVALUATION**

12.1. An independent evaluation of the effectiveness of this committee may be performed every second year; and

12.2. The committee should, at least once every 3 (three) years, review its own performance and that of its members, constitution and charter to ensure it is operating at maximum effectiveness.

### **13. GOVERNANCE**

This charter must be approved by the board and the chairperson of this committee, and should be reviewed at least once every 3 (three) years to ensure effective functioning of the committee, compliance with the latest corporate governance best practice and alignment with the company's responsibilities with respect to being and being seen as a responsible corporate citizen.

## 14. ANNEXURE TO THE AUDIT AND RISK COMMITTEE CHARTER

### Section 1

In accordance with Section 94 (2) of the Companies Act, the committee performs the functions as required in terms of this section on behalf of the following:

Booyesendal Platinum (Pty) Ltd  
Eland Platinum (Pty) Ltd  
Mining Technical Services (Pty) Ltd  
Mvelaphanda Resources (Pty) Ltd  
Norplats Properties (Pty) Ltd  
Northam Platinum Investments (US) Inc  
Northam Recovery Services LLC  
Northam Property Services LLC

### Section 2

In terms of the Trusts reported on in the company's annual financial statements, the committee reviews and notes the annual financial statements of the following:

Northam Platinum Restoration Trust Fund  
The Buttonshope Conservancy Trust  
The Northam Booyesendal Community Trust  
The Northam Employees' Trust  
The Northam Zondereinde Community Trust  
Toro Employee Empowerment Trust