



**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

**ZAMBEZI PLATINUM (RF) LIMITED**  
**(“Zambezi” or “the company”)**

**AUDIT COMMITTEE**  
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**1. INTRODUCTION**

This committee is constituted as a statutory committee in respect of its statutory duties in terms of section 94(7) of the South African Companies Act No.71 of 2008, as amended (“**Companies Act**”).

Zambezi was incorporated on 2 June 2014 as a special purpose vehicle, ring fenced in terms of the Companies Act (restricted in terms of its activities) and is listed on the main board of the JSE Limited (“**JSE**”) in terms of the JSE Debt Listings Requirements, to facilitate the Northam Platinum Limited (“**Northam**”) black economic empowerment transaction (“**Northam BEE transaction**”). In accordance with the Administration Services Agreement of the Northam BEE transaction, Zambezi has appointed Northam to attend to the day-to-day management of Zambezi’s business and the administration of the company’s affairs.

In light of the restrictions imposed on Zambezi and the fact that the administrative function of the company is managed by Northam, Zambezi’s compliance with regard to the latest King Code on Corporate Governance of South Africa (“**King Code**”) is limited. In the circumstances, Zambezi’s full compliance with the King Code will be viewed together with Northam’s compliance thereof.

The committee should assist the board in carrying out its functions relating to 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 audit appointments and function.

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. PURPOSE**

The purpose of these terms of reference is to outline the committee’s responsibilities. This includes meeting procedures and its composition.

**3. COMPOSITION OF THE COMMITTEE**

The committee must be comprised of at least three non-executive board members who must be elected by shareholders on the recommendation of the board and must be appropriately qualified in terms of the Companies Act. At least one-third of the members must possess academic qualifications, or experience, in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resources management in order to fulfil their duties adequately.

The chairman of the board is not eligible to be chairman or a member of the committee.

The board must elect the chairman of the committee and any vacancy of this chairmanship must be filled within 40 business days of it arising in terms of the Companies Act.

#### **4. ROLE OF THE COMMITTEE**

The role of the 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 Northam, as Northam attends to the day-to-day management of the company's business, in accordance with the Administration Services Agreement of the Northam BEE transaction.

#### **5. STATUTORY DUTIES**

The committee must:

- 5.1 Nominate, for appointment as auditor of the company, a registered auditor who is independent of the company and determine the fees to be paid to the auditor and the auditor's terms of engagement.
- 5.2 Ensure that the appointment of the auditor complies with the Companies Act, the Administration Services Agreement and other relevant legislation.
- 5.3 Determine the nature and extent of any non-audit services which the auditor may provide to the company, or that the auditor must not provide to the company.
- 5.4 Prepare a report, to be included in the annual financial statements for that financial year –
  - 5.4.1 Describing how the committee carried out its functions.
  - 5.4.2 Stating whether the committee is satisfied that the auditor was independent of the company.
  - 5.4.3 Commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company.
- 5.5 Receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to –
  - 5.5.1 The accounting practices and audit of the company.
  - 5.5.2 The content or auditing of the company's financial statements.
  - 5.5.3 The internal financial controls of the company.
  - 5.5.4 Any related matter.
- 5.6 Make submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting.
- 5.7 Perform such other oversight functions as may be determined by the board.

## 6. RESPONSIBILITIES AND TERMS OF REFERENCE

The committee has the following responsibilities:

### 6.1 Annual Reporting:

In terms of the Companies Act, the company must produce annual reports, which the committee must oversee. This will include:

- 6.1.1 Ascertaining all factors and risks that would impact on the accuracy of the annual report. This includes factors that may predispose management to present misleading information, poor significant judgment, reporting and decisions, failure at enforcement, monitoring by regulatory bodies, forecast of financial information and question information that brings into doubt previously published information.
- 6.1.2 Review and comment on annual financial statements, preliminary results announcements, interim reports, dividends and other price sensitive information, such as trading statements or prospectus.
- 6.1.3 Ensure that financial statements are prepared in terms of International Financial Reporting Standards and other appropriate standards.
- 6.1.4 Consider whether external auditors should perform assurance procedures or other non-audit services.
- 6.1.5 To review significant findings and other matters arising through to completion of the annual financial statements.
- 6.1.6 Recommend the annual report for approval by the board.

Furthermore, the committee must consider the JSE's reports on proactive monitoring of financial statements and take appropriate action to apply the findings therein when preparing the company's financial statements. Confirmation in this regard must be provided by the company to the JSE annually.

### 6.2 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 it must:

- 6.2.1 Nominate the independent external auditor for appointment and approval by shareholders.
- 6.2.2 Report and monitor the independence of the external auditor in the financial statements.
- 6.2.3 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 2005) identified and reported by the external auditor.
- 6.2.4 Ascertain the effectiveness of the external audit process.
- 6.2.5 As a minimum request from the audit firm the information detailed in paragraph 22.15(h) of the JSE Equity Listings Requirements.

### 6.3 Other responsibilities:

- 6.3.1 The committee shall have direct and unobstructed lines of communication to the board and external auditors.

6.3.2 The committee shall have the right of access to records containing information needed to properly perform its duties and execute its powers.

6.4 Authority:

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 chairman of the committee must therefore be present at all annual general meetings of the company.

## 7 MEETINGS AND PROCEDURES

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

Special meetings may be called by any member of the committee (including at the request of the external auditors, Northam or the company's advisors) or at the instance of the board where such further meeting is considered necessary.

7.1 Frequency:

At least two meetings should 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 external auditors without the presence of management.

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.

The chairman 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 written resolution to be approved by the full committee.

7.2 Attendance:

The committee shall be precluded from obtaining, without the prior written consent of Northam, any services from any other service provider including services that may be similar or identical to the Administration Services Agreement.

The committee shall invite Northam management representatives to attend its meetings and, may invite the Northam audit and risk committee members, external auditors, or Zambezi board members to attend its meetings should it so require. These parties have no voting power.

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

chairperson. The company secretary of Northam is the secretary of this committee to take minutes.

7.3 Agenda and Minutes:

Minutes of the meeting should be circulated in good time for members to review and must be formally approved at each following meeting.

Once approved, these minutes should be distributed to all the members of the board and to the Northam audit and risk committee members for information purposes.

7.4 Quorum:

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

8. **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.

9. **APPROVAL OF THESE TERMS OF REFERENCE**

The terms of reference must be approved by the board or together the chairperson of the board and the chairperson of this committee and should be reviewed at least once every three years to ensure compliance with the latest best practice.

**The terms of reference was reviewed and approved by the audit committee and board on 14 February 2018.**