

### **GENERAL BACKGROUND**

The duties and responsibilities of the members of the Audit Committee ("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 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.

The Committee is established to assist the Board of Directors ("the Board") of Oceana Group Limited ("the Group") with, 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.

This charter is subject to the provisions of the Companies Act No. 71 of 2008 ("the Act"), the company's Memorandum of Incorporation, and any other applicable law or regulatory provision.

### **APPOINTMENT**

The Committee has been established to act in the capacity of an audit committee in respect of the company and all its subsidiaries. The Committee is constituted as a statutory committee in respect of its statutory duties in terms of section 94 of the Act and a committee of the Board in respect of all other duties assigned to it by the Board.

The Committee has also been appointed to act in the capacity of an audit committee in respect of the South African subsidiaries of the company.

### **COMPOSITION**

The Committee must comprise at least three members and consist only of independent non-executive directors of the company. Members of the Committee shall be appointed annually by the shareholders of the company at the annual general meeting of the company. The chairman of the Committee, which shall be an independent non-executive director, is elected by the Board and shall not be the chairman of the Board.

The chief executive officer, the financial director, and at least one representative of each of the external and internal auditors shall attend the meetings as invitees.

All members of the Committee must be suitably skilled and experienced independent non-executive directors. The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: financial and sustainability reporting; internal financial controls; external audit process; internal audit process; corporate law; risk management; sustainability issues; information technology governance as it relates to integrated reporting; and governance processes within the company.

The Committee members should keep up to date with developments affecting the required skill set.

Vacancies on the Committee must be filled within 40 business days after the vacancy arises.

### **RELATIONSHIP TO MANAGEMENT**

Responsibility for reliable financial reporting lies first with company management who set the tone and 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. This will mean asking the right questions and expecting forthright responses. Strong management understand their public responsibility and the complexity of their operations, and are willing to answer such questions.

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

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.

## **RELATIONSHIPS TO EXTERNAL AUDITORS**

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.

## **INDEPENDENT ADVICE**

The Committee members, or the Committee as a whole are entitled, at the expense of the company, to take independent professional advice in connection with their duties, after following an approval process agreed by the Board.

## **INTERNAL CONTROLS**

An internal control environment which provides assurance that financial reports are not materially inaccurate will help prevent fraudulent activity. The Committee is responsible for ensuring that a combined assurance model is applied to provide a coordinated approach to all assurance activities. 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. 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. The Committee shall in its annual report, which forms part of the Annual Financial Statements and Integrated Report, disclose 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. The Committee shall also its annual Audit Committee report, which forms part of the Annual Financial Statements and Integrated Report, disclose its views on the effectiveness of the arrangement in place for combined assurance.

## **RESPONSIBILITY OF EXTERNAL AUDITORS**

The responsibility of the external auditors in detecting fraud is limited. An audit should be planned to provide reasonable assurance of detecting errors and irregularities (theft, intentional errors, and sabotage) that result in materially misleading financial statements. Auditing standards limit the external auditors' responsibility for detection of illegal acts to those which have both a direct and material effect on financial statement amounts. The external auditors are prepared at the specific request of management or the Committee to expand their scope to assess the adequacy of control beyond their financial statement impact and to perform audit services related to fraud.

## **RESPONSIBILITIES**

### The Committee has the following specific responsibilities:

The Committee shall comply with all its duties in terms of the Act and shall perform the functions required of an audit committee in terms of the Act in respect of the company and all its subsidiaries.

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

- i) have regard to all factors and risks that may impact on the integrity of the integrated 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;
- ii) 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;
- iii) comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- iv) review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- v) recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
- vi) recommend the integrated report and interim report for approval by the Board;
- vii) consider the frequency for issuing interim results;
- viii) consider whether the external auditor should perform assurance procedures on the interim results

- ix) review the content of the summarised information for whether it provides a balanced view; and
- x) engage the external auditors to provide assurance on the summarised financial information.

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 Report.

The Committee will review the expertise, resources and experience of the company's finance function annually. The Committee will also consider, on an annual basis, and satisfy itself of the appropriateness of the expertise and experience of the financial director. The Committee shall disclose its view on the financial director and the finance function in its annual report to shareholders, which is included in the Annual Financial Statements and integrated report.

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.

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

- xi) be responsible for the appointment, performance assessment and/or dismissal of the internal auditors;
- xii) approve the internal audit plan;
- xiii) ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate; and
- xiv) annually receive a written opinion from internal audit on internal financial control.

The Committee shall disclose its view on the effectiveness of the internal audit partner and the arrangements for internal audit in its annual report to shareholders, which forms part of the Annual Financial Statements and Integrated Report.

**The Committee is responsible for recommending the appointment of the external auditor to the Board, and to oversee the external audit process and in this regard the Committee must:**

- xv) nominate the external auditor for appointment by the shareholders;
- xvi) approve the terms of engagement and remuneration for the external audit engagement;
- xvii) satisfy itself that the external auditor is independent of the organization by considering:
  - a) the policy and controls that address the provision of non-audit services provided by the external auditor and the nature and extent of such services;
  - b) the tenure of the audit firm;
  - c) the rotation of the designated external audit partner; and significant changes in the management of the Group during the external audit firm's tenure that may mitigate the attendant risk of familiarity between the external auditor and management.
- xviii) monitor and report on the independence of the external auditor in the annual financial statements;
- xix) define a policy for non-audit services which may be provided by the external auditor;
- xx) approve the contracts for non-audit services to be rendered by the external auditor;
- xxi) 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
- xxii) review the quality and effectiveness of the external audit process.

The Committee shall 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 Report.

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 Chairman of the Committee should they consider the scope of the audit to have been restricted.

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 its IT responsibilities.

**Review of Financial Statements**

The objective of the review is to ensure that disclosure is adequate and that fair presentation is achieved, including contingent liabilities such as outstanding litigation. Such a review would entail :

- xxiii) obtaining explanations for all significant variances in the financial statements;

- xxiv) reviewing the company's accounting policies or major changes in policies which management should consider making or have already implemented;
- xxv) examining the effect of changes in International Financial Reporting Standards (IFRS);
- xxvi) enquiring about any significant financial reporting issues discussed during the accounting period between management and the auditors and how they were resolved;
- xxvii) assessing significant judgmental decisions that had a major impact on the financial statements;
- xxviii) reviewing any significant adjustments resulting from the audit;
- xxix) examining compliance with accounting standards and with The JSE Limited Listings Requirements and other statutory requirements;
- xxx) obtaining reasons for significant loss-making operations and considering whether the value of their related assets is fairly stated in the balance sheet;
- xxxi) reviewing significant transactions which are not a normal part of the company's business;
- xxxii) reviewing the adequacy of the doubtful debt and inventory provisions;
- xxxiii) being kept informed of all outstanding litigation, contingencies and claims and how these matters are reflected in the company's financial statements;
- xxxiv) reviewing the extent, nature and disclosure of extraordinary, exceptional or non-trading items;
- xxxv) discussing all significant proposed changes to the company's financial statements and any concerns over the adequacy of disclosure of any items;
- xxxvi) 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.;
- xxxvii) reviewing the overall effective tax rate and the extent of tax planning. Reviewing the movement in deferred tax balances;
- xxxviii) understanding the extent to which the financial information in the financial statements has been audited; and
- xxxix) obtaining clarity regarding balance sheet financing.

The Committee shall disclose 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 shareholders, which forms part of the Annual Financial Statements and Integrated Report.

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 :

- xi) the business environment;
- xii) the financial liquidity of the company;
- xlii) management's reputation, integrity and experience;
- xliii) the relationship of management with the external auditors;
- xliv) The Committee is responsible for reviewing the basis on which the company has been determined to be a going concern; and
- xlv) The Committee shall examine the company's compliance with the solvency and liquidity requirements prescribed by sections 45 and 46 of the Act.

#### Technology and Information Governance

The Committee is responsible for overseeing that the governance of technology and information is done in such a manner that it supports the Group in setting and achieving its strategic objectives.

- i) The committee shall set the direction for how technology and information is approached and addressed in the Group;
- ii) The committee shall approve policy that articulates and gives effect to the set direction on the employment of technology and information;
- iii) Management shall be responsible for the implementation and execution of effective technology and information management;
- iv) The committee should exercise ongoing oversight of the management of information and technology;
- v) 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.

The following should be disclosed in relation to information and technology:

- i) An overview of the arrangements for governing and managing technology and information.
- ii) 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.
- iii) Actions taken to monitor the effectiveness of technology and information management and how the

- outcomes were addressed.
- iv) Planned areas of future focus.

#### **AUTHORITY**

The Committee shall act in accordance with its statutory duties and the delegated authority of the Board as recorded in this terms of reference. It has the power to investigate any activity within the scope of its terms of reference. 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, company secretary or assurance providers to provide it with information subject to board approved process.

The Committee will have reasonable access to the group's records, facilities and any other resources necessary to discharge its duties and responsibilities subject to following board approved process.

The Committee may form and delegate authority to subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent external professional advice to assist with the execution of its duties, at the company's cost, subject to a board approved process being followed.

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 chairman of the Committee must be present at all annual general meetings.

On all responsibilities delegated to it by the Board outside of the statutory duties, the Committee makes recommendations for approval by the Board.

#### **MEETINGS AND PROCEDURES**

##### Frequency

The Committee should hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of two meetings per year. The Committee should meet after the financial year end, but prior to Board approval of the annual financial statements and the integrated report. At least one other meeting should take place to discuss and consider the interim report and the audit review thereof prior to approval by the Board.

Meetings in addition to those scheduled may be held at the request of the external or internal auditor, the chief executive officer, financial director, or other members of senior management or at the instance of the Board.

The Committee must meet with internal and external auditors at least once a year without management being present.

##### Attendance

The chief executive officer, financial director, the external auditors, the internal auditors, other assurance providers, professional advisors and board members may be in attendance at Committee meetings, but by invitation only and they may not vote.

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 chairman or company secretary.

The company secretary is the secretary to this Committee.

If the nominated chairman of the Committee is absent from a meeting, the members present must elect one of the members present to act as chairman.

The Chairman of the Committee with its prior approval may invite any person, including persons outside of the Group, to attend its meetings, when deemed necessary.

##### Agenda and minutes

The Committee must establish an annual work plan for each year 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 this audit committee charter: 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.

A detailed agenda, together with supporting documentation, must be circulated, prior to each meeting to the members of the Committee and other invitees. Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.

The minutes must be completed as soon as possible after the meeting and circulated to the Chairman and members of the Committee for review thereof. The minutes must be formally approved by the Committee at its next scheduled meeting.

Quorum

A representative quorum for meetings is a majority of members present. Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

**EVALUATION AND REPORTING TO THE BOARD**

The Committee should report its activities to the Board as soon as possible after each meeting. The report back should cover :

- xlvi) any significant issues which might affect the directors' liability;
- xlvii) any significant issues arising out of the review of the financial statements, and discussions on the audits undertaken.

The Board must perform an evaluation of the effectiveness of the Committee every year.

These terms of reference were approved by the Chairman of the Committee and Chairman of the Board and will be reviewable annually.



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Chairman  
BOARD OF DIRECTORS  
OCEANA GROUP LIMITED

16 November 2017

DATE



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Chairman  
AUDIT COMMITTEE  
OCEANA GROUP LIMITED

16 November 2017

DATE