



TRANSNET SOC LTD

AUDIT COMMITTEE CHARTER

The Audit Committee (“the Committee”) is a statutory Committee of the Transnet SOC Ltd Board, appointed in terms of section 76 (4)(d) and 77 of the Public Finance Management Act, 1999, (Act No.1 of 1999) (“the PFMA”), read with section 94(7) of the Companies Act, 2008, as amended and as a committee of the Board of Directors (“the Board”) in respect of all duties assigned to it by the Board. This Charter is mandated in accordance with the Companies Act No. 71 of 2008, King IV Report on Corporate Governance for South Africa, 2016, the Company’s Memorandum of Incorporation and the JSE Debt Listings Requirements, 2020, among other statutory frameworks.

1. PURPOSE

- 1.1 The purpose of the Charter is to define the terms of reference within which the Audit Committee of Transnet SOC Ltd operates.

2. FUNCTIONS OF THE COMMITTEE

- 2.1 To assist the Board in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within the Company.
- 2.2 To review and assess the integrity and effectiveness of the accounting, financial, compliance, operational, technology and other control systems.
- 2.3 To consider the internal and external audit process and the accounting principles and policies.
- 2.4 To strengthen the independence of the internal and external audit functions to ensure their effectiveness.
- 2.5 To ensure effective communication between the Internal Auditors, the External Auditors, Management, the Board and Regulators.
- 2.6 To ensure compliance and adherence to applicable legal, regulatory and accounting requirements through an independent review.
- 2.7 To receive and deal appropriately with any concerns or complaints, whether from within or outside the Company, or on its own initiative relating to:
 - 2.7.1 The accounting practices and internal audit of the Company;
 - 2.7.2 The content or auditing of the Company’s Integrated Report and financial statements;
 - 2.7.3 The internal financial, operational, technology, compliance and other controls systems of the Company; and
 - 2.7.4 Any related matter.
- 2.8 To promote a culture of discipline and control which will reduce the opportunity for fraud and corruption.
- 2.9 To serve as the TNPA Deemed Board’s Audit Committee within the same terms of reference prescribed in this Charter, save for the composition.

3. COMPOSITION

- 3.1 This Committee shall, at all times, have at least 3 independent Non-Executive Directors appointed by the Shareholder Minister at the Annual General Meeting of the Company. The Chairperson of the Board shall not be a member.
- 3.2 The Chairperson of the Committee shall be an independent Non-Executive Director who is not the Chairperson of the Board, appointed by the Shareholder Minister.
- 3.3 The Chairperson of the Risk Committee, or any nominated member of the Risk Committee, shall be a member of the Audit Committee.
- 3.4 The majority of the members of this Committee must be financially literate, must collectively have sufficient qualifications and experience to fulfill their duties including an understanding of the following: financial and sustainability reporting; internal financial, operational, technology and compliance controls; external and internal audit procedures; corporate law; risk management; sustainability; fraud and corruption risk

management; compliance related matters; information technology governance; and governance processes within the Company.

- 3.5 If necessary, and in accordance with the Memorandum of Incorporation of the Company, specialists may be co-opted to the Committee as attendees.
- 3.6 The secretary shall be the Group Company Secretary or his/ her designate.
- 3.7 The following shall be in attendance at meetings:
 - 3.7.1 The Group Chief Executive (*ex-officio*) or a duly mandated designate;
 - 3.7.2 The Group Chief Financial Officer (*ex-officio*) or a duly mandated designate;
 - 3.7.3 The External Auditors;
 - 3.7.4 The Chief Audit Executive and other representatives from the internal audit function;
 - 3.7.5 The Chief Legal Officer;
 - 3.7.6 Representatives from the Office of the Auditor-General; and
 - 3.7.7 Such other persons determined by the Committee, who may include, where deemed necessary by the Committee, members of senior management and independent investment, legal and financial experts.
- 3.8 Attendees at the Committee meetings by invitation may participate in discussions but do not form part of the quorum, and may not vote.
- 3.9 Other independent Non-Executive Directors may attend the Committee's meetings in consultation with the Chairperson of this Committee, but may not be remunerated for attendance.

4. QUORUM

- 4.1 The quorum shall be fifty percent of the members of the Committee. A duly constituted meeting shall be competent to exercise all or any of the authorities, powers and responsibilities vested in or exercisable by the Committee.

5. TERM

- 5.1 The Committee's term shall be linked to the Board term, and the Members of the Committee shall be appointed by the Shareholder Minister at the Company's Annual General Meeting in accordance with with the MOI.

6. REPORTING RESPONSIBILITIES

- 6.1 The Committee reports to the Board through its Chairperson, and to the Shareholder Minister through a report in the Integrated Report, which must include an account of how the Committee has performed its duties.
- 6.2 Minutes of the meetings of the Committee must be submitted to the Board for information purposes.
- 6.3 The Chairperson, alternatively a member of the Committee, shall be present at the Company's Annual General Meeting to answer any questions of the Shareholder Minister.
- 6.4 Should the Committee receive a report implicating the Group Chief Executive, any member of the Board, or any officer of the Company in financial misconduct, fraud, corruption or gross negligence, the Committee Chairperson must promptly report this to the Chairperson of the Board, the Auditor-General and/or the authorised auditor.
- 6.5 The committee shall ensure that reporting requirements to regulatory bodies, JSE and law enforcement agencies are complied with.

7. AUTHORITY

The Committee has -

- 7.1 Authority to access any information it requires to fulfill its responsibilities.

- 7.2 Authority to seek independent advice and to consult with specialists or consultants, facilitated through the Group Company Secretary's Office, at the Company's expense.
- 7.3 Authority to investigate matters within its mandate.
- 7.4 Direct access to the Chairperson of the Board, Group Chief Executive, members of the Group Executive Committee, the Chief Audit Executive and External Auditors.
- 7.5 Authority to consult with, and receive the full co-operation of, any employee where necessary to fulfill its responsibilities.
- 7.6 Authority to ask the Chairpersons of other Board Committees, any Executive Directors, company officers, Group Company Secretary or assurance provider to provide it with information, subject to a Board approved process in order to fulfill its duties.
- 7.7 Authority to form, and delegate authority to, steering committees comprised of designated members of the Committee.
- 7.8 Decision-making authority in regard to its statutory duties and is accountable in this regard to both the Board and the Shareholder Minister.
- 7.9 Authority to monitor the relationship between Management and the Stakeholders of the Company.
- 7.10 Authority to monitor the solvency and liquidity of the Group and consider business rescue proceedings in the event of the financial distress of the Company.
- 7.11 Authority to review the Delegation of Authority Framework for adequacy and make recommendations to the Corporate Governance and Nominations Committee for consideration.
- 7.12 Authority to monitor compliance with the Delegation of Authority Framework in as far as the Committee's mandate is concerned.

8 ROLES AND RESPONSIBILITIES

- 8.1 The Committee has an independent role, overseeing and recommending matters within its ambit to the Board for consideration in line with the Delegation of Authority Framework, and applicable legislation governing such roles and responsibilities.

8.2 External Auditors & External Audit

Where the Auditor-General has opted not to perform the audit of the Company in terms of Section 4(3) of the Public Audit Act 2004, (Act No. 25 of 2004) the Committee must in terms of the Companies Act, 2008 or otherwise:

- 8.2.1 Nominate external auditors for appointment by the Shareholder Minister at the Annual General Meeting, who must ensure the proper disclosure of material sustainability issues. The Auditor-General's concurrence must be obtained for such appointment. With regard to the annual re-appointment of the External Auditor at the Annual General Meeting, the Auditor-General must be informed of such re-appointment.
- 8.2.2 Request relevant information from the auditors in order to assess the suitability for appointment of the audit firm and designated individual partner, both when they are appointed for the first time and thereafter annually for every re-appointment.
- 8.2.3 Ensure that the proposed individual auditor does not appear on the JSE list of disqualified individual auditors when recommending an auditor for appointment or re-appointment at the Annual General Meeting.
- 8.2.4 Notify the JSE of the termination or the appointment of the audit firm; and/or the resignation of the audit firm; without delay, and by no later than two business days following the decision by the Company to terminate or appoint the audit firm or after receipt of the audit firm's resignation.
- 8.2.5 Review and approve the Group Audit Plan with the external auditors, with specific reference to the terms of engagement, the proposed audit scope and approach to the Company's risk activities, the effectiveness of the audit and the audit fee.

- 8.2.6 Consider the quality and effectiveness of the external audit process, areas of special concern, the procedures being developed to monitor and contain risks in those areas, and the audit approach for those areas.
- 8.2.7 Approve the guidelines for using the external auditors for non-audit work, pre-approve all the agreements for non-audit services, annually assess the work done to ensure that the independence of the external auditors is retained and ensure full disclosure of these services in the Integrated Report of the Company.
- 8.2.8 Where necessary, make recommendations to the Board to recommend to the Executive Authority the dismissal of the external auditor(s) or the Auditor-General Lead, with the concurrence of the Auditor-General.
- 8.2.9 Review, with Management, reports and letters received from the auditors concerning deviations from, and weaknesses in, financial and operational controls, and ensure that management takes prompt action and ensures that issues are satisfactorily resolved.
- 8.2.10 Monitor the relationship between the external auditors and the Company.
- 8.2.11 Meet with the external auditors at least once a year, without Management being present.
- 8.2.12 Review significant differences of opinion between the external auditors and Management on the application of IFRS or any other applicable accounting standard.
- 8.2.13 Consider and approve, any significant changes proposed in the accounting policy, the external audit fee and budgeted audit fee.
- 8.2.14 Review significant differences of opinion between the external auditors and Management on the application of the framework for performance information as issued by the National Treasury.
- 8.2.15 Ensure that there is a process in place for the Committee to be informed of reportable irregularities identified and reported by the external auditor.
- 8.2.16 Advise the Board of potential risks in irregular, fruitless and wasteful expenditure..
- 8.2.17 Receive assurance from Management regarding the effectiveness of the risk management and compliance processes.
- 8.2.18 Review all cross-cutting matters emanating from other Board Committees.

8.3 **Integrated Reporting and Financial Control**

The Committee shall –

- 8.3.1 Ensure that the Company has established appropriate financial reporting procedures and that those procedures are operating.
- 8.3.2 Confirm, by reporting to the holders of debt securities in its Annual Financial Statements, that the Audit Committee has executed the responsibilities with regard to the appointment of a Debt Officer.
- 8.3.3 Receive and review reports of the Finance Function of the Company, including reports on the adequacy of capital, impairment of receivables and other assets and the formulae for the determination of provisions.
- 8.3.4 Review the accounting policies adopted by the Company and all proposed changes in accounting policies and practices, and recommend such changes as may be considered appropriate in terms of IFRS.
- 8.3.5 Consider the adequacy of disclosures and the reasons for fluctuations in ratios reported in published documentation.

- 8.3.6 Review the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management.
- 8.3.7 Review reports on major defalcations.
- 8.3.8 Review and comment on the Company's interim and audited annual financial statements, dividend announcements and all financial information for distribution to the Shareholder Minister and other stakeholders, prior to submission to the Board.
- 8.3.9 Consider all related party transactions and ensure disclosure thereof in the annual financial statements.
- 8.3.10 Consider whether or not the interim report should be subject to an independent review by the external auditors, and if not, provide reasons to the Board.
- 8.3.11 Introduce such measures as, in the Committee's opinion, may serve to enhance the credibility and objectivity of financial statements and reports prepared with reference to the Company's affairs, including in respect of the integrated sustainability report to be included in the Company's Integrated Report.
- 8.3.12 Consider and satisfy itself on an annual basis, of the appropriateness of the expertise and experience of the Group Chief Financial Officer.
- 8.3.13 Report to the Shareholder Minister on its statutory duties, particularly regarding how the Committee carried out its duties, any issues pertaining to the independence of the external auditor, the performance of the Group Chief Financial Officer and its views on the Company's financial statements and accounting policies, and the effectiveness of the Company's financial controls.
- 8.3.14 Compile a summary of its role and details of its composition, meetings and activities, and ensure that such report is included in the Integrated Report.
- 8.3.15 Review the content of information included in the Integrated Report to determine if it provides a balanced view; and engage the external auditors to provide assurance on the summarised financial information.
- 8.3.16 Review the expertise, resources and experience of the Company's Finance Function and disclose the results of the review in the Integrated Report.
- 8.3.17 Recommend the Integrated Report for approval by the Board.
- 8.3.18 Consider factors and risks that may impact on the Integrated Report's integrity, including factors that may predispose management to present a misleading picture, significant judgments 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.
- 8.3.19 Determine how the external assurance providers evaluate materiality for integrated reporting purposes.
- 8.3.20 Review forward-looking information of a financial or sustainability nature to ensure that the information provides a "*proper appreciation of the key drivers that will enable the Company to achieve these forward looking goals.*"
- 8.3.21 Consider ICT as it relates to audit coverage and efficiency, financial reporting and the going concern of the Company through the following:
 - 8.3.21.1 Receiving and reviewing reports on control effectiveness and efficiency within ICT for oversight, guidance and input purposes; and
 - 8.3.21.2 Requiring regular assurance on the ICT infrastructure processes and practices implemented across the Company.
- 8.3.22 Review significant financial transactions entered into by the Company; *inter alia*, transactions that change the control structure of the company, acquisitions and disposal of the Company's investments.

- 8.3.23 Recommend the Group Treasury Financial Risk Management Framework, policies and strategies to the Board for approval.
- 8.3.24 Approve Counterparty Risk limits for Group Treasury that relates to financial market transactions.
- 8.3.25 Recommend the Annual Borrowing Plan in the Corporate Plan to the Board for approval.
- 8.3.26 Approve and recommend the Following, in line with the Delegation of Authority Framework:
 - 8.3.26.1 Approve all bad debt write-offs.
 - 8.3.26.2 Approve all inventory write-offs.
 - 8.3.26.3 Recommend Financial Results for Quarter, 2, and 4 to the Board for approval
 - 8.3.26.4 Recommend the Going Concern Assertion for Quarter 2 and Quarter 4.
- 8.3.27 Approve Management Representation Letter for Quarter 2 and Quarter 4.
- 8.3.28 Recommend approval of working capital to the Board.
- 8.3.29 The Committee shall approve the following policies as delegated by the Board:
 - 8.3.29.1 Tax Policy and other accounting policies.

8.4 INTERNAL AUDIT

The Committee shall -

- 8.4.1 Oversee, evaluate and approve the Company's internal audit function including the following:
 - 8.4.1.1 The rolling 3-year strategic risk- based internal audit plan;
 - 8.4.1.2 The internal audit plan for the first year of the rolling plan; and
 - 8.4.1.3 Any other audit plans including the changes to the approved annual internal audit plan.
- 8.4.2 Be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive.
- 8.4.3 Ensure that the Chief Audit Executive reports functionally to the Chairperson of the Committee.
- 8.4.4 Ensure that the Internal Audit report at all of the Committee's meetings.
- 8.4.5 Meet with the Internal Audit at least once a year, without Management being present.
- 8.4.6 Review written reports furnished periodically and annually by the Company's Internal Auditors on the Company's Operating Divisions, detailing the adequacy and overall effectiveness of the Company's internal audit function, the scope and depth of audit coverage, reports on internal control and any recommendations, and confirm that appropriate action has been taken.
- 8.4.7 Review significant differences of opinion between Management and the Internal Audit function.
- 8.4.8 Annually evaluate the independence and effectiveness of the Internal Audit function and ensure that the function is adequately resourced and has appropriate standing within the Company.
- 8.4.9 Review the Internal Audit mandate annually, which should formally define the purpose, authority and responsibility of the internal audit function.
- 8.4.10 Ensure that the internal audit function is subject to a 5 year, independent quality review, which is in line with the Institute of Internal Auditors Standards.
- 8.4.11 Oversee, evaluate and approve the Company's combined assurance plan and its implementation.
- 8.4.12 The Committee will review the combined assurance model and ensure that it is applied, to provide a coordinated approach to all assurance activities.
- 8.4.13 Monitor the relationship between the related assurance providers and the Company.

8.5 RISK MANAGEMENT

The Committee shall -

- 8.5.1 Receive a report from the Chairperson of the Risk Committee in instances where there are any matters which have implications for the Company's system of internal control.

- 8.5.2 Understand and obtain comfort from the Risk Committee regarding the Company's processes for identifying, managing and reporting on risk.
- 8.5.3 Have oversight of financial reporting risks, internal financial controls and fraud and ICT risks, as they relate to financial reporting.
- 8.5.4 Have oversight of IT, operational, compliance and other financial controls.
- 8.5.5 Consider whether there are any matters arising from the review of internal controls and the reports of internal and external auditors which require the attention of the Risk Committee.

8.6 COMPLIANCE

The Committee shall -

- 8.6.1 Request and consider reports by Group Finance, in respect of applicable financial and tax related compliance law, rules and standards, including accounting systems and record keeping controls, information systems and technology controls, internal auditing processes, management information systems and reports applied to the day to day management of the businesses.
- 8.6.2 Review the internal control structure, including financial control, accounting systems and reporting to Monitor compliance with the applicable laws, rules and standards and review all reports detailing the extent of compliance.
- 8.6.3 Ensure adherence to applicable non-binding rules, codes and standards if adherence thereto would result in good governance and practice.
- 8.6.4 Consider and sign the JSE Annual Compliance Report.

8.8 SUSTAINABILITY

The Committee shall -

- 8.8.1 Review the disclosure of sustainability issues in the Integrated Report to ensure that it is reliable and does not conflict with financial information.
- 8.8.2 Recommend to the Board whether or not to engage an external assurance provider on material sustainability issues and evaluate the independence and credentials of that assurance provider.
- 8.8.3 Oversee the assurance process of sustainability information in the Integrated Report.

9. COMMITTEE EVALUATION

- 9.1 The Committee evaluation will be conducted on an annual basis by an Independent Service Provider.
- 9.2 The Committee shall conduct a self-evaluation at least twice a year.

10. RECUSAL

- 10.1 At the commencement of each meeting, members should declare whether they have any conflict of interest in respect of any matter on the agenda.
- 10.2 Where a member of the Committee has been or can be deemed to have a conflict of interest he/she shall recuse him/herself from taking a decision on the matter. The conflict of interest and the recusal shall be minuted.
- 10.3 Where a member of the Committee has been recused for part of the meeting, such a member is to be regarded as being present for the entire duration of the meeting for the purpose of determining a quorum.
- 10.4 Where a conflict of interest exists, a member shall not receive information either in the meeting pack or Minutes that relate to the matter or company that he has declared an interest on as per the Declaration of Interest and Related Party Disclosures Policy for Directors.

11. WRITTEN RESOLUTIONS

- 11.1 A resolution in writing approved and signed by 75% or more of the members of the Committee within 10 business days after submission to all members of the Committee, shall be as valid as a resolution passed at a meeting of the Committee.

12. COMMITTEE OPERATION

- 12.1 The Committee shall hold a minimum of 4 scheduled meetings per financial year.
- 12.2 Informal and *ad hoc* meetings may be convened, as and when required, by the Chairperson of the Committee.
- 12.3 Papers for consideration by the Committee will be submitted, in the normal course, at least seven days before the meeting, to enable members to study the documentation and allow adequate opportunity for formal and informal discussions.
- 12.4 The Chairperson of the Committee may meet with the Group Chief Executive, Chief Financial Officer, Chief Audit Executive, External Audit Partner and the Group Company Secretary or her designate prior to a Committee meeting to discuss important issues and agree on the agenda.
- 12.5 If the Chairperson of the Committee is absent from a meeting, the members present must elect one of the members present to act as Chairperson.
- 12.6 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 or the Group Company Secretary or his/her designate.
- 12.7 The Committee must establish an annual work plan for each financial 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 the Charter. The annual work plan shall be recommended to the Board for approval.
- 12.8 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 12.9 The minutes must be completed within 10 days after the date of the meeting and circulated to the Chairperson and members of the Committee for review thereof.
- 12.10 Where the Committee holds an in-committee meeting that excludes the Group Company Secretary or his/her designate, Members of the Committee shall elect a member to record the minutes and/or decisions of that In-Committee meeting for record purposes. Such resolutions shall be communicated to the Group Company Secretary through the Chairperson, within 10 days, and adopted at the next meeting for record purposes.
- 12.11 The minutes must be formally approved by the Committee at its next scheduled meeting.

Approved by the Board of Directors on 31 March 2021