

## TERMS OF REFERENCE

### JSE BOARD AUDIT COMMITTEE

#### 1. Introduction

- 1.1 The Audit Committee (the “Committee”) is constituted as a statutory committee of JSE Limited (“JSE”) with respect to its statutory duties under section 94(7) of the Companies Act, 2008 and as a standing committee of the JSE Board (the “Board”). The duties and responsibilities of the members of the Committee as set out in this document are in addition to those duties and responsibilities that they have as members of the Board.
- 1.2 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.
- 1.3 The Committee also performs the role of Audit Committee for all JSE Group entities from time to time.
- 1.4 These terms of reference are subject to the provisions of the Companies Act, the JSE Memorandum of Incorporation, and any other applicable law or regulatory provision.

#### 2. Purpose of the terms of reference

- 2.1 The purpose of these terms of reference is to set out the Committee’s role and responsibilities as well as the requirements for its composition and meeting procedures.

#### 3. Composition

- 3.1 The Committee shall comprise at least three independent non-executive directors of the JSE who shall be appointed by shareholders of the JSE, on the recommendation of the Board based on input from the JSE Board Nominations Committee.
- 3.2 All members of the Committee must be independent non-executive directors. No JSE executive, member of management or staff shall be a member of the Committee.
- 3.3 The Chairman of the Committee –
  - must be an independent non-executive director of the JSE,
  - may not be the Chairman of the Board; and
  - shall be elected by the Board from among the members of the Committee appointed by JSE shareholders.
- 3.4 The Chairman of the JSE Board Risk Committee must be a member of the Committee.
- 3.5 The Chairman of the Board may not be a member of the Committee.
- 3.6 The Board must fill vacancies on the Committee within 40 business days after the vacancy arises.
- 3.7 All members of the Committee must be suitably skilled and experienced independent non-executive directors.

- 3.8 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of: 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 must also remain current with developments in these fields.

#### **4. Role**

- 4.1 The Committee has an independent, oversight role with accountability to both the Board and to shareholders.
- 4.2 The Committee does not assume the functions of management, which remain the responsibility of the executive directors, prescribed officers and other members of senior management.

#### **5. Statutory mandate**

- 5.1 The Audit Committee has the following duties -
- To nominate, for appointment as auditor of the company under section 90, a registered auditor who, in the opinion of the audit committee, is independent of the company;
  - to determine the fees to be paid to the auditor and the auditor's terms of engagement;
  - to ensure that the appointment of the auditor complies with the provisions of this Act and any other legislation relating to the appointment of auditors;
  - to determine, subject to the provisions of this Chapter, the nature and extent of any non-audit services that the auditor may provide to the company, or that the auditor must not provide to the company, or a related company;
  - to pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company;
  - to prepare a report, to be included in the annual financial statements for that financial year—
    - o describing how the audit committee carried out its functions;
    - o stating whether the audit committee is satisfied that the auditor was independent of the company; and
    - o commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company;
  - to receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to—

- the accounting practices and internal audit of the company;
  - the content or auditing of the company's financial statements;
  - the internal financial controls of the company; or
  - any related matter;
- to make submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting; and
  - to perform such other oversight functions as may be determined by the board.

## 6. Other responsibilities

The Committee must perform all the functions necessary to fulfil its role as set out in these terms of reference, including but not limited to the following –

### 6.1 *Integrated Reporting*

The Committee oversees integrated reporting, and in particular the Committee must –

- 6.1.1 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;
- 6.1.2 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;
- 6.1.3 comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- 6.1.4 review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;
- 6.1.5 recommend to the Board whether or not to engage an external assurance provider on material sustainability issues;
- 6.1.6 recommend the integrated annual report for approval by the Board;
- 6.1.7 consider the frequency for issuing interim results;
- 6.1.8 consider whether the external auditor should perform assurance procedures on the interim results;

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

## **6.2 Combined Assurance**

The Committee must ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities, and in particular, the Committee should –

- 6.2.1 ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and
- 6.2.2 monitor the relationship between the external assurance providers and the Company.

## **6.3 Finance function and finance director ('CFO')**

- 6.3.1 The Committee must review the expertise, resources and expertise of the Company's finance function, and disclose the results of the review in the integrated annual report.
- 6.3.2 The Committee must also consider and satisfy itself as to the suitability of the experience and exposure of the finance director every year.

## **6.4 Internal Audit**

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

- 6.4.1 be responsible for the appointment, performance assessment and/or dismissal of the Chief Audit Executive;
- 6.4.2 approve the internal audit plan; and
- 6.4.3 ensure that the internal audit function is subject to an independent quality review, as and when the Committee determines it appropriate.

## **6.5 Risk Management**

The Committee is an integral component of the risk management process and specifically the Committee must oversee –

- 6.5.1 financial reporting risks;

- 6.5.2 internal financial controls;
- 6.5.3 fraud risks as it relates to financial reporting; and
- 6.5.4 IT risks as it relates to financial reporting.

## **6.6 External Audit**

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

- 6.6.1 nominate the external auditor for appointment by the shareholders;
- 6.6.2 approve the terms of engagement and remuneration for the external audit engagement;
- 6.6.3 monitor and report on the independence of the external auditor in the annual financial statements;
- 6.6.4 define a policy for non-audit services provided by the external auditor;
- 6.6.5 pre-approve the contracts for non-audit services to be rendered by the external auditor;
- 6.6.7 ensure that there is a process for the audit committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor; and
- 6.6.8 review the quality and effectiveness of the external audit process.

## **6.7 Other matters**

The Committee shall –

- 6.7.1 Draw matters within its mandate to the attention of the Board as the occasion requires.
- 6.7.2 Report to shareholders at each JSE annual general meeting on the matters within its mandate, and the Chairman of the Committee shall attend the annual general meeting to answer any questions from shareholders in relation to the Committee's mandate.
- 6.7.3 Perform any additional duties, delegated by the Board from time to time.

## 7. Authority

- 7.1 The Committee acts in accordance with its statutory duties and the delegated authority of the Board as recorded in these terms of reference. It has power to investigate any activity within the scope of its terms of reference.
- 7.2 The Committee, in fulfilment of its duties, may call upon the chairmen of other Board committees, any of the executive directors, officers or Group Company Secretary to provide it with information.
- 7.3 The Committee has reasonable access to the JSE's records, facilities and any other resources necessary to discharge its duties and responsibilities.
- 7.4 The Committee may form, and delegate authority to, sub-committees and may delegate authority to one or more designated members of the Committee, and to one or more members of the executive to perform certain tasks on its behalf.
- 7.5 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties, at the JSE's cost, subject to compliance with JSE policies.
- 7.6 The Committee has decision making authority in regard to its statutory duties and is accountable in this regard to both the Board and the shareholders.
- 7.7 The Committee makes recommendations to the Board that it deems appropriate on any area within the ambit of its terms of reference where action or improvement is required.
- 7.8 The Chairman of the Committee must be present at all annual general meetings.

## 8. Meeting Procedures

### 8.1 Frequency

- 8.1.1 The Committee must hold sufficient scheduled meetings to discharge all its duties as set out in these terms of reference but subject to a minimum of three meetings per year.
- 8.1.2 Meetings in addition to those scheduled may, with the approval of the Chairman, be held at the request of the external auditor, the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive, the Director: Governance, Risk & Compliance or at the instance of the Board.
- 8.1.3 The Chairman of the Committee may meet with the Chief Executive Officer, the Chief Financial Officer, the Director: Governance, Risk & Compliance and/or Group Company Secretary prior to a Committee meeting to discuss important issues and agree on the agenda.
- 8.1.4 The Committee must meet with internal and external auditors at least one a year without management being present.

## **8.2 Attendance**

- 8.2.1 The Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive, the Director: Governance, Risk & Compliance, other relevant executives and senior management, the external auditors, professional advisors and other members of the Board may be in attendance at Committee meetings, but by invitation only and they may not vote.
- 8.2.2 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 Group Company Secretary.
- 8.2.3 The Group Company Secretary is the secretary to this Committee.
- 8.2.4 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 for that meeting.

## **8.3 Agenda and Minutes**

- 8.3.1 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 plan must ensure proper coverage of the matters laid out in these terms of reference: 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 agenda are to be determined in accordance with the annual plan.
- 8.3.2 A detailed agenda, together with supporting documentation, must be circulated, at least one week prior to each meeting to the members of the Board and other invitees.
- 8.3.3 Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 8.3.4 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.

## **8.4 Quorum**

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

## **8.5 Evaluation**

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

## **9. Approval of Terms of Reference**

- 9.1 These updated terms of reference were adopted by the Committee at its meeting held on 10 November 2015 and approved by the JSE Board on 26 November 2015.