

# **SASOL KHANYISA PUBLIC (RF) LIMITED**

## **AUDIT COMMITTEE: TERMS OF REFERENCE**

### **1. CONSTITUTION**

- 1.1 The audit committee (the Committee) is constituted as a statutory committee of Sasol Khanyisa Public (RF) Limited (the company) in respect of its statutory duties in terms of section 94(7) of the Companies Act 71 of 2008 (the Act) (as set out in Appendix 1) and a committee of the Sasol Khanyisa Public (RF) Limited board (the board) in respect of all other duties assigned to it by the board; and
- 1.2 The Committee shall perform the functions listed below on behalf of the company and of its wholly-owned subsidiary, Sasol Khanyisa Fundco (RF) Limited (collectively herein always referred to as the group), subject to the Act as well as the company's Memorandum of Incorporation (MOI) and any other applicable law or regulatory provision.

### **2. MEMBERSHIP**

- 2.1 The Committee shall consist of a minimum of three members. The members shall be nominated by the board, and the Committee elected annually by shareholders. All members of the Committee shall be directors of the company who are independent and satisfy the requirements of the Act;
- 2.2 The board shall appoint the Chairman of the Committee and shall determine the period for which he or she shall hold office but no longer than two terms of two years. The Chairman of the board shall not be eligible to serve as a member of the Committee;
- 2.3 The board shall have the power at any time to remove any members of the Committee and to fill any vacancies;
- 2.4 A member of the audit committee shall cease to hold office, as such, as soon as he becomes Ineligible or Disqualified in terms of the Companies Act; and
- 2.5 A representative of the Company Secretary shall act as a secretary of the Committee.

### **3. RESPONSIBILITIES AND MANDATE OF THE COMMITTEE**

#### **3.1 External audit and auditors**

Clause 17.1.1 of the company's MOI states that, "For the duration of the Empowerment Period the Auditor shall be one of Sasol's auditors".

The Committee will:

- 3.1.1 evaluate the independence and performance of the external auditor(s), and consider whether any non-audit services rendered by such auditors substantively impair their independence;
- 3.1.2 approve the external auditor(s) terms of engagement and the audit fee;
- 3.1.3 pre-approve all permissible non-audit services to be provided by the external auditor(s), and where such services are to be rendered to the company or the group, any proposed contract for the provision of such services;
- 3.1.4 review the audit report and management letters issued by the external auditor(s);
- 3.1.5 make suggestions on problem areas that the audit should address;
- 3.1.6 consider any accounting treatments, significant unusual transactions or accounting judgments that could be contentious;
- 3.1.7 obtain assurance from the external auditor(s) that adequate accounting records are being maintained;
- 3.1.8 on recommendation by Sasol Limited, nominate for appointment as auditor of the company, Sasol Limited's auditor, who is a registered auditor and is independent of the company;
- 3.1.9 approve the external auditor(s) terms of engagement and the audit fee;
- 3.1.10 receive and consider, in accordance with a formalised procedure, any reportable irregularities identified and reported by the external auditor(s) in terms of the Auditing Profession Act, 2005; and
- 3.1.11 ensure that there are no restrictions or limitations placed on the external auditor(s).

## 3.2 **Financial statements**

The Committee will examine and review the company's annual financial statements prior to submission and approval by the board, focusing particularly on:

- 3.2.1 tax and litigation matters;
- 3.2.2 any changes in accounting policies and practices;

- 3.2.3 major judgmental areas;
- 3.2.4 significant adjustments resulting from the audit;
- 3.2.5 the basis on which the company has been determined a going concern;
- 3.2.6 capital adequacy;
- 3.2.7 compliance with accounting standards;
- 3.2.8 the appropriateness of major adjustments processed at year end;
- 3.2.9 compliance with the financial conditions of loan covenants;
- 3.2.10 the quality and integrity of the company and the group's financial statements; and
- 3.2.11 compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements.

### **3.3 Internal control and internal audit**

An important role of the Committee will be to monitor the effective functioning of the group's internal control systems. This will include:

- 3.3.1 reviewing the effectiveness of the group's systems of internal control, including internal financial control, business risk management and maintaining effective internal control systems;
- 3.3.2 reviewing the adequacy of corrective action taken in response to significant internal audit findings;
- 3.3.3 reviewing significant matters reported by the internal audit function;
- 3.3.4 reviewing significant differences of opinion between management and the internal audit function; and
- 3.3.5 reporting on the overall operational and financial reporting environment.

### **3.4 Risk management**

The Committee must ensure that the risk areas of the company are effectively managed. This includes:

- 3.4.1 ensuring that the Risk Management Department has implemented an effective ongoing process to identify risk, to measure its potential impact against a broad set of assumptions, and then to

activate what is necessary to proactively manage the identified risks;

- 3.4.2 oversight of fraud risks as it relates to financial reporting;
- 3.4.3 reviewing the adequacy and efficiency of the risk management process; and
- 3.4.4 if and where applicable, reviewing information technology risks and the internal control framework as they relate to financial reporting.

### **3.5 Compliance within legal and regulatory framework**

The Committee will consider compliance with legal and regulatory requirements to the extent that it might have an impact on financial statements.

### **3.6 Other responsibilities**

- 3.6.1 The Committee must report annually to the board whether all responsibilities in terms of the Committee's terms of reference have been carried out;
- 3.6.2 The Committee shall at least annually assess the effectiveness of the Committee and its members; and
- 3.6.3 The Committee shall be responsible for reviewing, evaluating and/or approving any other process referred to it by the board.

## **4. REPORTING AND ACCOUNTABILITY**

- 4.1 The Chairman of the Committee shall account to the board for its activities and make recommendations to the board concerning the adoption of the interim and annual financial statements and any other matters arising from the work of the Committee; and
- 4.2 The Chairman (or, in his or her absence, a member) of the Committee shall attend the annual general meeting to report to shareholders on how the Committee has fulfilled its statutory duties in terms of the Act or any other applicable corporate governance requirements during the financial year.

## **5. MEETINGS AND PROCEEDINGS**

- 5.1 Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the provisions of the company's MOI regulating the meetings and proceedings of directors and committees;

- 5.2 The Committee shall meet as frequently as the Committee considers appropriate but shall hold a minimum of two meetings per year. The board or any director, including members of the Committee, the external auditors, and a representative from the internal audit function, may call further meetings via the Chairman and in consultation with the Company Secretary;
- 5.3 Reasonable notice of meetings and the agenda concerning the business to be conducted shall be given to the members of the Committee, the Company Secretary, the internal audit representative, the external audit partner and the Sasol Limited observer to make proposals as necessary;
- 5.4 The quorum for decisions of the Committee shall be any two members of the Committee present throughout the meeting of the Committee;
- 5.5 Attendees shall not have a vote at meetings of the Committee;
- 5.6 The Committee Secretary shall take minutes of meetings. These shall be reviewed and approved by the members of the Committee and minutes of all meetings of the Committee, or summary thereof, shall be submitted to the board at its next board meeting for noting, where after such minutes shall be retained for a period of at least seven years;
- 5.7 The meetings of the Committee may be conducted, or one or more directors may participate in a meeting of the Committee, by electronic communication; and
- 5.8 A decision that could be voted on at a meeting of the Committee may instead be adopted by written consent of a majority of the members, given in person, or by electronic communication, provided that each member has received notice of the matter to be decided. A decision made in such a manner has the same effect as if it had been approved by voting at the meeting.

## **6. AUTHORITY OF THE COMMITTEE AND RESOURCES AVAILABLE**

The Committee, in carrying out its tasks under these terms of reference:

- 6.1 is authorised to investigate any activity within its terms of reference;
- 6.2 may, at the discretion of the Committee, require employees of the Company Secretary to attend meetings or parts of meetings;
- 6.3 may consult with and seek information which it requires from the Company Secretary, and the Company Secretary shall be required to co-operate with any request made by the Committee in the course of its duties; and

6.4 shall have the power to delegate its authority and duties to sub-committees or individual members of the Committee as it deems appropriate, provided it is not precluded by any legal or regulatory requirements from doing so.

## **7. REVIEW OF THE TERMS OF REFERENCE**

These terms of reference may be amended by the board as and when required and shall be reviewed at least annually.

## STATUTORY PRESCRIBED FUNCTIONS OF AN AUDIT COMMITTEE

The statutory prescribed functions of an audit committee are listed in section 94(7) of the Companies Act, No. 71 of 2008 as follows:

- “(7) An audit committee of a company has the following duties:
- (a) 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;
  - (b) to determine the fees to be paid to the auditor and the auditor’s terms of engagement;
  - (c) 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;
  - (d) 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;
  - (e) to pre-approve any proposed agreement with the auditor for the provision of non-audit services to the company;
  - (f) to prepare a report, to be included in the annual financial statements for that financial year—
    - (i) describing how the audit committee carried out its functions;
    - (ii) stating whether the audit committee is satisfied that the auditor was independent of the company; and
    - (iii) commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company;
  - (g) to receive and deal appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to—
    - (i) the accounting practices and internal audit of the company;
    - (ii) the content or auditing of the company’s financial statements;
    - (iii) the internal financial controls of the company; or
    - (iv) any related matter;
  - (h) to make submissions to the board on any matter concerning the company’s accounting policies, financial control, records and reporting; and
  - (i) to perform such other oversight functions as may be determined by the board”.