



## TRANSNET SOC LTD

### GROUP AUDIT COMMITTEE CHARTER

#### 1. INTRODUCTION

- 1.1 The Audit Committee ("the Committee") is constituted as a statutory committee of the Board of Directors ("the Board") of Transnet SOC Ltd (the "Company"), established in terms of section 76(4)(d) and 77 of the Public Finance Management Act, 1999 (Act No.1 of 1999), as amended ("the PFMA"), read with section 94(7) of the Companies Act, 2008 (Act No. 71 of 2008), as amended ("the Companies Act"), and the Companies Regulations, 2011 ("the Companies Regulations"), with all duties assigned to it by the Board.
- 1.2 This Charter is drafted in accordance with, *inter alia*, the Legal Succession to the South African Transport Services Act 1989 (Act No. 8 of 1989) as amended, the PFMA, the Companies Act, the Companies Regulations, King IV Report on Corporate Governance for South Africa, 2016 ("King IV"), Public Audit Act 2004 (Act No. 25 of 2004), as amended ("Public Audit Act"), the JSE Debt Listings Requirements, 2020, Protocol on Corporate Governance in the Public Sector, 2000, Handbook for the appointment of persons to boards of state and state controlled institutions, 2008, the Company's Memorandum of Incorporation ("the MOI"), the Delegation of Authority Policy and Framework of the Company, the Significance and Materiality framework of the Company, the common law, and all other applicable laws and regulations.
- 1.3 Additional provisions regarding the Committee's functioning, for instance in relation to the conduct of Committee meetings, are contained in a separate document titled "Additional Rules for Committees", attached hereto as **Annexure B** ("the Rules"). The provisions of the Rules should be read in conjunction with this Charter. In the event of conflict between the Rules and this Charter, the provisions of this Charter shall prevail.

#### 2. PURPOSE

- 2.1 The purpose of the Charter is to set out the Committee's roles and responsibilities as well as the requirements for its membership, meetings and other procedures.
- 2.2 The Board has delegated to the Committee the responsibility to oversee the efficiency and effectiveness of the operational, accounting, financial, compliance, technology and other control systems within the Group, thereby ensuring the reliability and integrity of information generated through these systems.

### 3. **AUTHORITY**

- 3.1 The Committee has ultimate decision-making authority regarding its statutory duties, including those set out in section 94(7) of the Companies Act, and is accountable in this regard to the Board and the Shareholder. Unless provided otherwise in this Charter and/or the Delegation of Authority Policy and Framework, the Committee does not have ultimate decision-making authority regarding non-statutory duties within the scope of its mandate. It provides oversight and makes recommendations to the Boards of the Group Companies in respect of non-statutory duties within the scope of the Committee's purpose and functions for such boards' consideration and, if such boards consider it appropriate, ultimate approval.

### 4. **MANDATE IN RESPECT OF SUBSIDIARIES**

- 4.1 In this Charter, "Group" means the Company and each company within its Group of Companies of which it has direct or indirect control, and each company within the Group is referred to as a "Group Company".
- 4.2 The Committee shall, as contemplated in section 94(2) of the Companies Act, perform functions on behalf of each Group Company, except those companies which have, in accordance with their memoranda of incorporation, established their own Audit Committees.
- 4.3 The roles and responsibilities of the Committee as set out in this Charter apply to the Company and all the Group Companies, except those companies which have established their own Audit Committees.
- 4.4 The Committee may serve as the TNPA Board Audit Committee with the same terms of reference prescribed in this mandate and in this regard TNPA directors may be co-opted as deemed fit.

### 5. **COMPOSITION**

- 5.1 The composition of the Committee and the election of the members of the Committee shall be as provided for in the MOI.
- 5.2 The Board, through the Corporate Governance and Nominations Committee shall have the power at all times, to recommend the removal of any member from the Committee and to fill any vacancies created by such removal, subject to approval by the Shareholder at the Annual General Meeting. The term of the members of the Committee shall be as determined by the Board.

- 5.3 The Chairperson of the Board shall not be a member of the Committee.<sup>1</sup>
- 5.4 The Chairperson of the Group Risk Committee, or any member of the Group Risk Committee, shall be a member of the Committee.<sup>2</sup>
- 5.5 The election of the Chairperson of the Committee and the eligibility of a person for election as Chairperson of the Committee shall be as provided for in the MOI.
- 5.6 The members of the Committee should as a whole, have the necessary financial literacy, skills and experience to execute their duties effectively.<sup>3</sup> At least one-third of the members of the Committee at any particular time must have academic qualifications, or experience, in economics, law, corporate governance, corporate finance, accounting, commerce, industry, public affairs or human resource management.<sup>4</sup>

## 6. **TERM**

- 6.1 Each member of the Committee, all of whom are Non-Executive Directors, shall be a member for the duration of their directorship.
- 6.2 The Board shall have the power to recommend at all times, the removal of any member from the Committee and to fill any vacancies created by such removal subject to the provisions of the MOI.

## 7. **ROLES AND RESPONSIBILITIES**

### 7.1 **General**

The Committee shall:

- 7.1.1 Monitor the solvency and liquidity of the Group and consider business rescue proceedings in the event of the financial distress of any Group Company.
- 7.1.2 Review the Delegation of Authority Policy and Framework for adequacy in as far as the Committee's mandate is concerned and make recommendations to the Corporate Governance and Nominations Committee for consideration.

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<sup>1</sup> King IV, principle 7, recommendation 36.a.

<sup>2</sup> King IV, principle 8, recommendation 63,

<sup>3</sup> King IV, principle 8, recommendation 55

<sup>4</sup> Regulation 42 of the Companies Regulations

7.1.3 Monitor compliance with the Delegation of Authority Policy and Framework in as far as the Committee's mandate is concerned.

7.1.4 Make recommendations to the Board that it deems appropriate on any area within the ambit of its Charter where action or improvement is required.

## 7.2 External audit

7.2.1 Despite the provisions of the Companies Act, the MOI and this Charter to the contrary, the Company is not required to appoint an auditor for any financial year in respect of which the Auditor-General of South Africa (AGSA) has elected, in terms of the Public Audit Act 2004 (Act No. 25 of 2004), to conduct an audit of the Company.<sup>5</sup>

7.2.2 Subject to the above, the Committee shall:

7.2.2.1 Nominate an external auditor for election by the shareholder at the Annual General Meeting ("AGM");<sup>6</sup> who must ensure the proper disclosure of material sustainability issues. The AGSA's concurrence must be obtained for such appointment. Regarding the annual re-appointment of the External Auditor at the AGM, the AGSA must be informed of such re-appointment.

7.2.2.2 Request relevant information from the Auditor 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.<sup>7</sup>

7.2.2.3 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 AGM and ensure that the proposed audit firm is accredited as such on the JSE list of auditors and accounting specialists.<sup>8</sup>

7.2.3 Review and approve the Group Audit Plan with the external auditor, with specific reference to the terms of engagement, the proposed audit scope and approach to

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<sup>5</sup> Section 84(3)(b) of the Companies Act.

<sup>6</sup> Section 90(1) of the Companies Act.

<sup>7</sup> JSE Debt Listings Requirements, paragraph 7.3(e)

<sup>8</sup> JSE Debt Listings Requirements, paragraph 6.22

the Company and the Group's risk activities, the effectiveness of the audit and the audit fee.

- 7.2.4 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.
- 7.2.5 Approve the guidelines for using the external auditor for non-audit work, pre-approve all the agreements with the external auditor for non-audit services, annually assess the work done to ensure that the independence of the external auditor is retained and ensure full disclosure of these services in the Integrated Report of the Company.
- 7.2.6 Where necessary, make recommendations to the Board regarding the dismissal of the external auditor (which dismissal may require the consent of the AGSA and/or the Executive Authority in terms of the Public Audit Act).<sup>9</sup>
- 7.2.7 Review, with Management, reports and letters received from the external auditor concerning deviations from, and weaknesses in, financial and operational controls, and ensure that Management takes prompt action and ensures that issues are satisfactorily resolved.
- 7.2.8 Monitor the relationship between the external auditors and the Group Companies.
- 7.2.9 Meet with the external auditor, individually in in-committee meetings in the absence of Management.
- 7.2.10 Review significant differences of opinion between the external auditor and management on the application of International Financial Reporting Standards ("IFRS") or any other applicable accounting standard.
- 7.2.11 Review and approve any significant changes proposed in the Accounting Policy, the external audit fee and budgeted audit fee.
- 7.2.12 Review significant differences of opinion between the external auditor and Management on the application of the framework for performance information as issued by the National Treasury.

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<sup>9</sup> Section 26 of the Public Audit Act.

- 7.2.13 Ensure that the Committee is informed of reportable irregularities identified and reported by the external auditor.
- 7.2.14 Advise the Board of potential risks in irregular, fruitless and wasteful expenditure.
- 7.2.15 Receive assurance from management regarding the effectiveness of the risk management and compliance processes.
- 7.2.16 Encourage collaboration amongst the internal and external assurance providers, as part of the combined assurance processes, thereby eliminating duplication of assurance effort, saving the overall cost of assurance and making independent, collective assurance more impactful to the Company.
- 7.2.17 Assist the Board and the boards of the Group Companies in discharging its duties relating to the safeguarding of assets and the evaluation of internal control frameworks within the Company.

### 7.3 **Integrated reporting and financial control**

The Committee shall:

- 7.3.1 Ensure that the Group Companies have established appropriate financial reporting procedures and that those procedures are operating.
- 7.3.2 Confirm, by reporting to the holders of debt securities, in its annual financial statements, that the Committee has executed the responsibilities with regard to the appointment of a Debt Officer.
- 7.3.3 Receive and review reports of the finance function of the Group Companies, including reports on the adequacy of capital, impairment of receivables and other assets and the formulae for the determination of provisions.
- 7.3.4 Review the expertise, resources and experience of the finance function of the Group Companies and disclose the results of the review in the Integrated Report.
- 7.3.5 Review the accounting policies adopted by the Group Companies and all proposed changes in accounting policies and practices and recommend such changes as may be considered appropriate in terms of IFRS.
- 7.3.6 Consider the adequacy of disclosures and the reasons for fluctuations in ratios reported in published documentation.

- 7.3.7 Review the effectiveness of financial management and the quality of internal accounting control systems and reports produced by financial management.
- 7.3.8 Review and assess the integrity and effectiveness of the accounting, financial, compliance, operational, technology and other control systems.
- 7.3.9 Review reports on major defalcations.
- 7.3.10 Review and recommend the Company's interim and audited Annual Financial Statements (AFS), dividend decision, announcements and all financial information for distribution to the shareholder and other stakeholders, to the Board for approval.
- 7.3.11 Review and recommend Group Companies' interim and audited AFS, dividend decisions and announcements and all financial information for distribution to the Company and other stakeholders, to such Group Companies' Boards for approval.
- 7.3.12 Review the Integrated Report of the Company and financial statements of the Group Companies taken as a whole to ensure that they represent a balanced and understandable assessment of the position, performance, prospects of the Group Companies, and examine and review the financial and Stock Exchange News Services (SENS) announcements of the Company for recommendation to the Board.
- 7.3.13 Review the external auditor's audit opinion.
- 7.3.14 Consider all related party transactions and ensure disclosure thereof in the AFS of the Group Companies.
- 7.3.15 Consider whether or not the interim report of the Group Companies should be subject to an independent review by the external auditor, and if not, provide reasons to the Board.
- 7.3.16 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 Group Companies' affairs, including in respect of the integrated sustainability report to be included in the Company's Integrated Report.
- 7.3.17 Consider and satisfy itself on an annual basis, of the performance and appropriateness of the expertise and experience of the Group Chief Financial Officer.
- 7.3.18 Report to the Shareholder 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 Group Companies' financial statements and accounting policies, and the effectiveness of the Group Companies' financial controls.

- 7.3.19 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.
- 7.3.20 Review the content of information included in the Integrated Report to determine if it provides a balanced view; and engage the external auditor to provide assurance on the summarised financial information.
- 7.3.21 Recommend the Integrated Report for approval by the Board.
- 7.3.22 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 of enforcement actions by a regulatory body, any evidence that brings into question previously published information, and forward-looking statements or information.
- 7.3.23 Determine how the external assurance providers evaluate materiality for integrated reporting purposes.
- 7.3.24 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 Group Companies to achieve these forward-looking goals.

### **IT Governance**

- 7.3.25 Consider ICT as it relates to audit coverage and efficiency, financial reporting and the going concern of the Group Companies through the following:
  - 7.3.25.1 Receiving and reviewing reports on control effectiveness and efficiency within ICT for oversight, guidance and input purposes.
  - 7.3.25.2 Requiring regular assurance on the ICT infrastructure processes and practices implemented across the Group Companies.
- 7.3.26 Have oversight of ICT governance by assuring the effectiveness of policies, procedures, frameworks and systems for appropriateness and adequacy.



- 7.3.27 Review significant financial transactions entered into by the Group Companies; including *inter alia* transactions that change the control structure of the Group Companies, acquisitions and disposals of the Group Companies' investments that impact their balance sheets.
- 7.3.28 Review the Group Companies' litigation reports to ensure that all contingencies that emanate from the reports are properly disclosed, and/ or provided for.
- 7.3.29 Recommend the Group Treasury Financial Risk Management Framework, policies and strategies to the Board for approval.
- 7.3.30 Approve counterparty risk limits for Group Treasury that relates to financial market transactions.
- 7.3.31 Recommend the annual borrowing plan in the Corporate Plan to the Board for approval.
- 7.3.32 In accordance with the Delegation of Authority Framework (and the monetary limits contained therein):
  - 7.3.32.1 Approve all bad debt write-offs.
  - 7.3.32.2 Approve all inventory write-offs.
  - 7.3.32.3 Recommend financial results for interim results (Quarter 2) and annual results (Quarter 4) to the Board for approval.
  - 7.3.32.4 Recommend the going concern assertion for Quarter 2 and Quarter 4.
- 7.3.33 Approve management representation letter for interim results (Quarter 2) and annual results (Quarter 4).
- 7.3.34 Recommend approval of working capital to the Board.

#### 7.4 **Internal audit**

The Committee shall:

- 7.4.1 Oversee, evaluate and approve the Group Companies' internal audit function including the following:
  - 7.4.1.1 The rolling 3-year strategic risk- based internal audit plan.

- 7.4.1.2 The internal audit plan for the first year of the rolling plan.
- 7.4.1.3 Any other audit plans including the changes to the approved annual internal audit plan.
- 7.4.2 Be responsible for the appointment, performance assessment and/or dismissal of the Group Chief Audit Executive.
- 7.4.3 Ensure that the Group Chief Audit Executive reports functionally to the Committee, under the leadership of its Chairperson.
- 7.4.4 Ensure that the internal audit function reports at all of the Committee's meetings.
- 7.4.5 Meet with the internal auditors, individually in in-committee meetings in the absence of Management.
- 7.4.6 The Chairperson of the Audit Committee may meet with the Group Chief Audit Executive and External Audit Partner.
- 7.4.7 Evaluate the following with respect to internal audit submissions:
  - 7.4.7.1 Review and evaluate written reports submitted periodically and the overall annual opinion by the internal audit function to the Committee on the adequacy and effectiveness of governance, risk management and internal control processes, which are designed and implemented at strategic (corporate centre), tactical (operating division) and functional (key business process) levels within the Group.
  - 7.4.7.2 Review and evaluate the scope and depth of assurance and consulting coverage.<sup>2</sup>
  - 7.4.7.3 Note and evaluate the soundness and relevance of internal audit recommendations and request further information where necessary.
  - 7.4.7.4 Review and evaluate progress made by management to implement agreed corrective actions for concluded assurance and consulting engagements.
  - 7.4.7.5 Evaluate the internal audit function's overall efficiency and effectiveness, which must be assessed in line with key performance areas and indicators in terms of the shareholder compact.

- 7.4.8 Note and make recommendations where necessary on the adequacy of management's corrective action taken in response to significant internal audit findings and monitor the implementation of consequences for members of management who have failed to implement corrective action without any valid reasons.
- 7.4.9 Review significant differences of opinion between Management and the internal audit function.
- 7.4.10 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 Group.
- 7.4.11 Review and approve the internal Audit Charter annually, which should formally define the purpose, authority and responsibility of the internal audit function;
- 7.4.12 Ensure that internal audit function annually presents a Quality Assurance & Improvement Programme and Plan (QAIPP), and on a quarterly basis reports progress and results emanating from implementation of QAIPP initiatives. Further, ensure that internal audit function undergoes a 5-year, independent quality review (in line with the mandatory International Professional Practices Framework (IPPF) requirements), and review the results of the quality review, along with internal audit function's action plan for addressing quality review findings.
- 7.4.13 Oversee, evaluate and approve the Company and the Group's combined assurance policy, model, plan and its implementation. The Committee will review the combined assurance model and ensure that it is applied, to provide a coordinated approach to all assurance activities.
- 7.4.14 Monitor the relationship between the related assurance providers and the Group Companies.
- 7.4.15 Strengthen the independence of the internal and external audit functions to ensure their effectiveness.
- 7.4.16 Ensure effective communication between the internal auditors, the external auditors, Management, the board and/or the boards of the Group Companies and regulators.

## 7.5 **Risk management**

The Committee shall:

- 7.5.1 Receive a report from the Chairperson of the Risk Committee in instances where there are any matters which have implications for the Group Companies' system of internal control.
- 7.5.2 Understand and obtain comfort from the Risk Committee regarding the Company's processes for identifying, managing and reporting on risk.
- 7.5.3 Have oversight of financial reporting risks, internal financial controls and fraud and ICT risks, as they relate to financial reporting.
- 7.5.4 Have oversight of ICT, operational, compliance and other financial controls.
- 7.5.5 Consider whether there are any matters arising from the review of internal controls and the reports of internal and independent auditor which require the attention of the Risk Committee.

## 7.6 **Compliance**

The Committee shall:

- 7.6.1 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.
- 7.6.2 Review the internal control structure, including financial controls, accounting systems and reporting to monitor compliance with the applicable laws, rules and standards and review all reports detailing the extent of compliance.
- 7.6.3 Ensure adherence to applicable non-binding rules, codes and standards if adherence thereto would result in good governance and practice.
- 7.6.4 Consider and sign the JSE Annual Compliance Report.
- 7.6.5 Ensure that the Company has complied with the JSE Listing Requirements.

- 7.6.6 Ensure that the Company complies with the reporting requirements of the Companies Act.

## 7.7 **Sustainability**

The Committee shall:

- 7.7.1 Review the disclosure of sustainability issues in the Integrated Report to ensure that it is reliable and does not conflict with financial information.
- 7.7.2 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.
- 7.7.3 Oversee the assurance process of sustainability information in the Integrated Report.
- 7.7.4 Be entitled to place reliance on the assurance obtained as presented to the Remuneration, Social and Ethics Committee regarding the integrity, reliability and validation of the sustainable development information, incorporated into the Integrated Report.
- 7.7.5 Ensure that, as a standard practice, the internal audit function's annual coverage plan entails review of the adequacy and effectiveness of sustainability management processes, and that external sustainability assurance providers annually assess the impact of such processes on the economy, society and the environment.
- 7.7.6 Ensure that the combined assurance processes, initiatives and activities are responsive to the monitoring and reporting on the adequacy and effectiveness of sustainability management processes, relating to the key elements of the economy, society and the environment.

## 7.8 **Governance**

The Committee shall:

- 7.8.1 Together with the internal audit function and the external auditor, review developments in corporate governance and best practice and consider their impact and implication for the Group's processes and structures.
- 7.8.2 Review the Company's annual statement on internal control prior to consideration by the Board.

7.8.3 Be available at all times to advise the Chairperson of the Board on any questions relating to the financial affairs and internal controls of the Group.

7.8.4 Receive reports and relevant matters for escalation from the Chairpersons of the Audit Committees of the Group's subsidiaries, if any, as the Committee may from time to time determine, and to provide guidance or feedback on relevant discussions.

## 8. **REPORTING RESPONSIBILITIES**

The Committee shall report to the Board through the Chairperson of the Committee, and to the Shareholder through a report in the Integrated Report, which must include an account of how the Committee has performed its duties as provided for in the MOI.<sup>10</sup>

## 9. **COMMITTEE OPERATION**

### **Frequency**

9.1 The Committee shall hold a minimum of four (4) meetings per financial year, to coincide with key dates within the financial reporting and external audit cycle. Meeting dates shall be scheduled on approval of the Corporate Calendar.

### 9.1 **Attendance**

9.1.1 The following persons may attend Committee meetings by invitation by the Chairperson of the Committee:

9.1.1.1 Other directors of the Board.

9.1.1.2 Such other persons determined by the Committee, who may include, where deemed necessary by the Committee, members of the executive and senior management and independent investment, legal and financial experts.

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<sup>10</sup>Section 94(7)(f) of the Companies Act.

9.1.2 The following persons will be standing invitees of the Committee:

9.1.2.1 The Group Chief Executive.

9.1.2.2 The Group Chief Financial Officer.

9.1.2.3 The Group Treasurer.

9.1.2.4 The External Auditor.

9.1.2.5 The Internal Auditor.

9.1.2.6 The Chief Audit Executive.

9.1.3 The Committee may invite any other persons as determined by the Committee, who may include, where deemed necessary by the Committee, members of the Executive Committee or senior management required to report at meetings, representative/s of the external auditors, and independent experts.

9.1.4 The Chairperson of the Committee may attend meetings of the Audit Committee of the Group Companies where applicable.

9.1.5 The Committee may invite any other persons required to report at meetings, representative/s of independent experts.

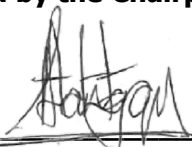
## 10. **APPROVAL AND STATUS OF THIS CHARTER**

10.1 This Charter shall be reviewed by the Committee for adequacy and relevance as and when the Committee deems it necessary, but at least annually.

10.2 This Charter will be deemed to be accepted by, and be binding upon, all existing and future members of the Committee from the effective date of their appointment as members, without any further action being required.

**Approved by the Board on 29 November 2024**

**Signed by the Chairperson of the Board**



**Mr Andile Sangqu**

09 December 2024

**Date:**