

NCP CHLORCHEM'S AUDIT SUB-COMMITTEE TERMS OF REFERENCE

1 INTRODUCTION

- 1.1 The Audit Committee ("the committee") is constituted as a statutory committee of the Board of Directors of NCP Chlorchem ("the Company" or "NCP") in respect of its statutory duties in terms of section 94(7) of the Companies Act (2008) and a committee of the Board in respect of all other duties assigned to it by the Board.
- 1.2 The committee's responsibilities cover NCP Chlorchem and the committee will be guided by materiality levels in identifying focus areas.
- 1.3 The NCP Audit Sub Committee will report material matters and provide feedback into the NCP Board Meeting and the SynChem Audit Committee.
- 1.4 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. The deliberations of the committee do not reduce the individual and collective responsibilities of Board members regarding their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their statutory obligations.
- 1.5 These terms of reference are subject to the provisions of the Companies Act (2008), the Company's Memorandum of Incorporation and any other applicable law or regulatory provision.

2 PURPOSE OF THE TERMS OF REFERENCE

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 OF THE COMMITTEE

- 3.1 The committee comprises three non-executive directors to be elected by the shareholders at each annual general meeting as proposed by the Board. The committee members must all satisfy the requirements as prescribed in section 94(4) of the Companies Act (2008).

The sub-committee shall consist of:

MEMBERS:

- Three Non-Executive Directors; one of which will act as the Chairperson - *(Karabo Radebe [Chairman]; Ian Forbes, Derek Halstead-Cleak);*

BY INVITATION:

- NCP's Managing Director;
 - SynChem Financial Director;
 - NCP's Financial Manager;
 - NCP's Finance Business Partner
 - NCP's Governance, Risk & Compliance Executive
 - Head of Internal Audit;
 - External Audit;
 - Any other members of senior management shall be invited when necessary
- 3.2 The Chairman of this committee should be an independent non-executive director, and will be elected by the Board, on recommendation of the committee. The Chairman of the Board may not be a member of this committee.
- 3.3 Any member of the committee shall cease to serve as a member on the committee if he/she ceases for any reason to be a director of the Company.
- 3.4 All members of the committee must be suitably skilled and experienced 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
- 3.5 The committee members must keep up-to-date with developments affecting the required skill-set.
- 3.6 The Board must fill vacancies on the committee before the next scheduled committee meeting.

4 ROLE

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.

5 RESPONSIBILITIES

5.1 Statutory duties

The committee has the following statutory duties as prescribed in section 94(7) of the Companies Act (2008):

- 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.

In addition to the statutory duties, the committee has the following additional responsibilities and/or any other responsibilities delegated to it by the Board:

5.2 Integrated reporting

The committee oversees integrated reporting, and in particular the committee must:

- a. comment on the annual financial statements, the accounting practices and the effectiveness of the internal financial controls;
- b. review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;

- c. recommend the integrated report for approval by the Board;
- d. consider the frequency for issuing interim results;
- e. review the content of the summarised information for whether it provides a balanced view; and
- f. engage with the external auditors to provide assurance on the summarised financial information.

5.3 Finance function

The committee reviews the expertise, resources and experience of the Company's finance function.

The committee also considers and satisfies itself of the suitability of the expertise and experience of the financial director or equivalent every year.

5.4 Internal audit

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

- a. be responsible for the appointment, performance assessment, remuneration and / or dismissal of the head of internal audit or such outsourced service provider;
- b. approve the internal audit plan; and
- c. ensure that the internal audit function is subject to an independent quality review, as and when the committee determines it appropriate.

5.5 Risk Management

The committee is an integral component of the risk management process and specifically the committee must oversee:

- a. financial reporting risks;
- b. internal financial controls;
- c. fraud risk as it relates to financial reporting; and
- d. IT risks as it relates to financial reporting.

5.6 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:

- a. nominate the external auditor for appointment by the shareholders;
- b. approve the terms of engagement and remuneration for the external audit engagement;
- c. monitor and report on the independence of the external auditor in the annual financial statements;
- d. define a policy for non-audit services provided by the external auditor;
- e. pre-approve the contracts for non-audit services to be rendered by the external auditor;
- f. review the quality and effectiveness of the external audit process.

6 AUTHORITY

- 6.1 The committee has decision-making authority regarding its statutory duties and is accountable in this respect to both the Board and the shareholders. To this end the chairperson 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.
- 6.2 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 the power to investigate any activity within the scope of its terms of reference.
- 6.3 The committee has the authority and entitlement to conduct their meetings entirely by electronic communication, or to provide for the participation by any member in such meetings by electronic communication.
- 6.4 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 following a Board-approved process.
- 6.5 The committee has reasonable access to the Company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following a Board-approved process.
- 6.6 The committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the committee.
- 6.7 The committee is entitled to consult with or receive advice from any person who is not a member of the committee (whether or not such person is a director of the Company) and/or invite such person to participate in the deliberations and discussion of the committee, provided that any such person:
 - a. must not be ineligible or disqualified to be a director in terms of section 69 of the Companies Act (2008); and
 - b. shall not have a vote on any matter to be decided by the committee concerned.

7 MEETINGS AND PROCEDURES

7.1 *Frequency*

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 two meetings per year.

Meetings in addition to those scheduled may, with approval of the Chairman, be held at the request of the Chief Executive Officer or other members of senior management or at the instance of the Board.

The Chairman of the committee may meet with the Chief Executive Officer and / or the Company Secretary prior to a committee meeting to discuss important issues and agree on the agenda.

7.2 Attendance

The Chief Executive Officer of SynChem has a standing invite to the meetings of the committee. Other members of senior management as may be required, professional advisors and Board members may attend committee meetings by invitation only, at the discretion of the Chairman.

The Company Secretary or such other person as appointed by the Board is the secretary to the committee. The Company Secretary has a duty to ensure that minutes of all committee meetings are properly recorded in accordance with the Companies Act (2008).

7.3 Agenda and minutes

A detailed agenda, together with supporting documentation, must be circulated at least one week prior to each meeting to the members of the committee and other invitees.

Committee members must be fully prepared for committee meetings, to provide appropriate and constructive input on matters for discussion.

The minutes must be completed within 30 days 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.

7.4 Quorum

A representative quorum for meetings is all 3 members present in person, or available by electronic communication.

If, within 30 (thirty) minutes from the time appointed for a committee meeting a quorum is not present, the meeting will stand adjourned to such day, time and place as the committee members then present determine (or, if that day is not a business day, to the next business day), and all the members of the committee concerned are to be notified in writing of the date, time and place of the adjourned meeting at least 5 (five) business days before the date of the adjourned meeting. If, at such adjourned meeting, a quorum is not present within 30 (thirty) minutes from the time appointed for the meeting, the members (or their representatives) then present will constitute a quorum.

Individuals in attendance at committee meetings by invitation may participate in discussions but do not form part of the quorum for committee meetings and accordingly may not vote on any matter.

7.5 Voting

Voting shall be by simple majority.

8 EVALUATION

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

9 **GENERAL**

These terms of reference may be amended as required, subject to the approval of the Board. It will be reviewed and approved annually by the Board

10 **APPROVAL OF THESE TERMS OF REFERENCE**

These terms of reference were approved and adopted by the Chairman of the Board and Chairman of this Sub-Committee on the 3rd November 2017 at the NCP Board Meeting and will be due for review and approval on 7th November 2018.