



DATATEC

AUDIT, RISK AND COMPLIANCE COMMITTEE CHARTER



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COMMITTEE CHARTER**

October 2016

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1. PURPOSE OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE CHARTER

- 1.1 The purpose of this document is to set out the role, duties and responsibilities of the Audit, Risk and Compliance Committee (“the Committee”) and its relationship to the Internal and External Audit functions and the Board of Datatec Limited (“the Board”).
- 1.2 The Committee is constituted as a statutory committee of Datatec Limited (the Company) 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.
- 1.3 The Charter aims to ensure that the Committee is compliant with the recommendations of the Report on Governance for South Africa 2009 (King III) and the UK Corporate Governance Code published by the Financial Reporting Council in June 2010 (“the Code”).
- 1.4 This Charter will be made available to the Shareholders of Datatec Limited at the Annual General Meeting and a summary of the Charter will be disclosed in the annual report of Datatec Limited.
- 1.4 This Charter will be confirmed by the Board and reviewed annually by the Committee and the Board.
- 1.5 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.
- 1.6 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.

2. PURPOSE OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

- 2.1 The Committee was established in terms of a Board resolution. The purpose of the Committee is to assist the Board in discharging its duties relating to:
 - 2.1.1 the safeguarding of assets;
 - 2.1.2 risk evaluation and risk management;
 - 2.1.3 the operation of adequate financial and administration systems including internal control;
 - 2.1.4 accurate reporting to shareholders and other stakeholders and provision of financial statements in compliance with all applicable legal requirements and accounting standards;
 - 2.1.5 compliance with relevant laws, regulations and procedures.
- 2.2 The Committee provides a forum for discussing business risk and control issues and for developing relevant recommendations for consideration by the Board.

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- 2.3 The Committee has oversight of the activities of the Datatec Internal Audit function, currently provided by Ernst & Young and the External Audit function currently provided by Deloitte & Touche.
- 2.4 The Committee shall act as a channel of communication between the Board and management and the Internal and External Auditors.
- 2.5 The Committee is an advisory committee and not an executive committee except in relation to:
- 2.5.1 The nomination of the external independent auditor for each financial year appointed in terms of the requirements of the Companies Act (as amended) in South Africa and any other regulatory and legislative requirements which the Company needs to comply with;
 - 2.5.2 The approval of non-audit services performed by the external auditor;
 - 2.5.3 The approval of the terms of engagement of, and fees to be paid to the external auditor; and
 - 2.5.4 The approval of the appointment of internal auditors if the function is outsourced, and of the Head of Internal Audit if an in-house internal audit function is established.
- 2.6 With the exception of the items enumerated above, the Committee shall not perform any management functions or assume any management or Board responsibilities, shall have an objective independent role, and shall submit recommendations as appropriate to the Board for approval or final discussion.
- 2.7 The Committee has an independent role with accountability to both the Board and shareholders.

3. MEMBERSHIP AND QUORUM

- 3.1 In every financial year, the Company's Shareholders, on recommendation of the Nomination Committee, shall appoint an Audit, Risk and Compliance Committee for the following year. The members of the Committee shall be appointed from among the Directors from time to time and shall consist of at least three members, all of whom shall be independent non-executive directors in terms of the definition set out in the Companies Act, and any other regulatory requirement, with the requisite experience, knowledge and skills set to serve on the Committee.
- 3.2 The Chairman of the Committee shall be appointed by the Board and shall have the requisite business, financial and leadership skills and be a good communicator.
- 3.3 The Chairman of the Company shall not be eligible for appointment as a member of the Committee.
- 3.4 The members of the Committee shall be financially literate and keep up-to date with the required skill-set. At least one member shall have a financial qualification.

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- 3.5** One member of the Committee shall be designated the financially qualified member as recommended by the UK Combined Code.
- 3.6** The Board must fill any vacancy on the Committee within 40 business days.
- 3.7** The quorum for decisions by the Committee shall be any two members of the Committee present throughout the meeting of the Committee.
- 3.8** The company secretary shall be the secretary of the Committee.
- 3.9** The composition of the Committee and its Chairmanship will be subject to annual review by the board.
- 3.10** Members of the committee should have the following expertise: 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.

4. RESPONSIBILITIES AND FUNCTIONS OF THE AUDIT, RISK AND COMPLIANCE COMMITTEE

The responsibilities of the Committee shall be:

- 4.1** To review the internal control structures including financial control, accounting systems and reporting.
- 4.2** To review the Group's statement on internal control systems prior to endorsement by the Board and in particular reviewing:
- The procedures for identifying business risks and controlling their impact on the Group;
 - The Group's policies for preventing and detecting fraud;
 - The Group's policies for ensuring that the Group complies with relevant regulatory and legal requirements;
 - The operational effectiveness of the policies and procedures.
- 4.3** To review the quality of reporting to shareholders (to the extent practicable) of corporations in which the Company is invested to satisfy itself of the validity thereof.
- 4.4** Liaison with external auditors (see 4.7 below) and internal auditors (see 4.8 below).
- 4.5** Monitoring and ensuring compliance of the Group with the laws and regulations of applicable statutes and of controlling bodies and all legal requirements.
- 4.6** Liaison and coordination with the work of the Social & Ethics Committee (see 4.16 below).

4.7 External Audit

The Committee shall:

- 4.7.1** During each financial year for which it has been appointed, nominate for appointment as auditor of the Company a registered independent auditor for

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- approval by shareholders. In considering whether a registered auditor is independent of the Company, the Committee shall consider the provisions of statutes and the standards of the auditing profession and seek additional assurance from the auditor that internal governance processes support and demonstrate their claim to independence;
- 4.7.2 In the event that the AGM appoints a different auditor to the one nominated by the Audit and Compliance Committee, the appointment will not be valid unless the Audit and Compliance Committee is satisfied that the proposed Auditor is independent of the Company;
- 4.7.3 Be responsible for ensuring that the external auditor's appointment complies with the CLAA and other applicable legislation;
- 4.7.4 consider whether the audit firm and, where appropriate, the individual auditor that will be responsible for performing the functions of auditor, are accredited as such on the JSE list of Auditors and their advisors as required by the JSE Limited Listings Requirements;
- 4.7.5 Discuss and review with the external auditors before the audit commences, the auditors' engagement letter, the terms, nature and scope of the audit function, procedure and engagement. The Committee should review the overall audit role to explore objectives, minimise duplication and discuss implications of new auditing standards;
- 4.7.6 Evaluate the independence, cost effectiveness and objectivity of the external auditors in relation to the Company itself and any of its subsidiaries and any other member of the Company's group and determine the nature and extent of allowed non-audit services rendered by such auditors as to whether this substantively impairs their independence. In assessing the independence of the external auditor, the Committee should determine that the external auditor does not receive any remuneration or other benefit from the Company, except in rendering approved audit and non audit services. The Committee shall also consider whether the external auditor's independence may have been prejudiced as a result of any previous appointment as auditor. Further, the Committee should consider how the external auditor's accounting firm is structured to ensure independence, the ownership of that firm, and whether the firm has formed alliances with entities which provide clients with the kind of services an accounting firm would not be allowed to provide;
- 4.7.7 Report on the independence of the external auditor in the annual financial statements;
- 4.7.8 Negotiate procedures, subject to agreement, beyond minimum statutory and professional duties and pre-approve the proposed contract with the auditor in respect of all non-audit services to be rendered. In compliance with the Company's Policy on non-audit services in Annexure A, the Committee shall ensure, in relation to such non-audit services provided by the designated auditor that the auditor appointed shall not, for the duration of the appointment, perform any bookkeeping, accounting or internal audit services and, to the extent that these would be subject to its own auditing, tax advisory services for the Company. The Committee shall keep the nature and extent of non-audit

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- services under review, seeking to balance the maintenance of objectivity with value for money;
- 4.7.9 ensure that there is a process for the Committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
 - 4.7.10 Evaluate the performance, quality and effectiveness of the external auditors and the external audit process;
 - 4.7.11 Agree to the timing and nature of reports from the external auditors;
 - 4.7.12 Give directive to external auditors to address areas of concern, in addition to the auditors' minimum statutory and professional duties and consider any problems identified in regard to the Company's going concern status or matters of internal control;
 - 4.7.13 Consider and approve the appropriateness of accounting policies and their implementation, consider accounting treatments, significant unusual transactions, or accounting judgements, that could be contentious;
 - 4.7.14 Identify key matters arising in the external auditors' current year's management letter and satisfy itself that these are being properly followed up;
 - 4.7.15 Review the adequacy of corrective action in response to significant external audit findings;
 - 4.7.16 Consider whether any significant ventures, investments or operations are not subject to external audit;
 - 4.7.17 Obtain assurance from the external auditors that adequate accounting records are being maintained;
 - 4.7.18 Be advised on discussions between management and the external auditor and consider and discuss any differences of opinion between management and external auditors and deal with any issues of material or significant investigations and management responses;
 - 4.7.19 Review management's letter of representation to the external auditors before finalisation of the Annual Report;
 - 4.7.20 Determine the fees to be paid to the external auditor ensuring the external audit fee will sustain a proper audit and provide value for money;
 - 4.7.21 Ensure that the same individual or the lead audit partner of the accounting firm appointed as the designated auditor may not serve as the auditor or designated auditor or lead audit partner for more than five consecutive financial years and ensure that where an individual has served as the auditor or designated auditor for two or more consecutive financial years and then ceases to be the auditor or designated auditor, that the individual may not be appointed as auditor or designated auditor again until the expiry of two further years;

- 4.7.22 When recommending the appointment of the external auditor, periodically consider alternative firms and obtain proposals to facilitate the Committee arriving at its recommendation;
- 4.7.23 Consider any questions on the resignation or dismissal of the auditors;
- 4.7.24 Ensure that the auditor is invited to attend any general meeting of the shareholders at which the financial statements are considered, to answer any question posed to the auditor at such meeting, relevant to the conduct of the audit.

4.8 Internal audit

An important role of the Committee is to monitor and supervise the effective function of internal audit to provide an objective overview of the operational effectiveness of the company's systems of internal control and reporting. This will include:

- 4.8.1 Reviewing the objectives and operations of the internal audit function;
- 4.8.2 Evaluating the performance of internal audit, its effectiveness and independence;
- 4.8.3 Reviewing the internal audit function's compliance with its mandate as approved by the Committee and considering whether the mandate, organisation, resources, internal audit skills and standing of the Internal Audit function are appropriate to enable the Committee to meet its objectives;
- 4.8.4 Reviewing and approving the Internal Audit charter, Internal Audit coverage plan and budgets and satisfying itself that the coverage plan makes provision for effectively addressing the critical risk areas of the business;
- 4.8.5 Considering internal audit reports on the effectiveness of the process for identifying, assessing, and reporting on all significant business and operational risks and the management and mitigation of those risks by the Group and making appropriate recommendations to the Board;
- 4.8.6 Reviewing and considering the conclusions and significant matters reported by the Internal Audit function in relation to financial reporting, corporate governance and internal control;
- 4.8.7 Reviewing the adequacy of corrective action taken in response to significant Internal Audit findings;
- 4.8.8 Ensuring that the internal auditor reports at all Committee meetings;
- 4.8.9 Reviewing the co-operation and co-ordination between the internal and external audit functions and co-ordinating the formal internal audit work plan with external auditors to prevent duplication of work;
- 4.8.10 Reviewing significant differences of opinion between management and the internal audit function;
- 4.8.11 Consider Internal Audit reports dealing with:

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- Ensuring maintenance of proper and adequate accounting records;
- Controlling the overall operational and financial reporting environment;
- Safeguarding the company's assets against unauthorised use or disposal;

4.8.12 Directing and supervising investigations into matters within its scope, for example, evaluations of the effectiveness of the company's internal control, cases of employee fraud, misconduct or conflict of interest;

4.8.13 Considering and reviewing any difficulties encountered in the course of internal audits including any restrictions in scope;

4.8.14 Considering whether the financial budgets of the internal audit function provide adequate support to enable the Committee to meet its objectives.

4.9 Integrated reporting

The Committee shall oversee integrated reporting and in particular the Committee must:

4.9.1 have regard to all factors and risks that may impact on the integrity of the integrated report, including factors which may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring of enforcement actions by a regulatory body, any evidence which brings into question previously published information, forward-looking statements and similar documents;

4.9.2 Review the quality of financial reporting and ensuring that such reporting presents a balanced and understandable assessment of the position, performance and prospects of the Group;

4.9.3 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;

4.9.4 Comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;

4.9.5 review the disclosure of sustainability issues in the integrated report to ensure that it is reliable and does not conflict with the financial information;

4.9.6 recommend to the board the engagement of an external assurance provider on material sustainability issues;

4.9.7 recommend the integrated report for approval by the board;

4.9.8 consider the frequency for issuing interim results;

4.9.9 consider whether the external auditor should perform assurance procedures on the interim results;

4.9.10 review the content of the summarised information for whether it provides a balanced view; and

4.9.11 engage the external auditors to provide assurance on the summarised financial information.

In addition the Committee should also review:

4.9.12 The implementation of new systems;

4.9.13 Tax and litigation matters involving uncertainty;

4.9.14 Any changes in accounting policies and procedures;

4.9.15 Significant adjustments resulting from the audit including problems and reservations arising from the audit and any matters the auditor may wish to discuss;

4.9.16 The basis on which the Group has been determined to be a going concern;

4.9.17 Capital adequacy;

4.9.18 Internal control;

4.9.19 Compliance with Group accounting standards, local and international compliance with stock exchange and legal requirements;

4.9.20 The appropriateness of major adjustments processed at the year-end;

4.9.21 Compliance with the financial conditions of loan agreements;

4.9.22 Special documents such as prospectuses, rights offers etc as and when prepared; and

4.9.23 The external auditors' proposed audit certificate.

4.9.24 Major judgemental areas in any financial information under its responsibilities;

4.9.25 Significant transactions not directly related to the Company's normal business as the Committee might deem appropriate;

4.9.26 Controls over significant risks.

4.10 The Committee shall ensure that a report describing how the Committee carried out its functions during the financial year and stating whether it is satisfied that the external auditor was independent of the Company is included in the Integrated Report.

4.11 Combined Assurance

The Committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the Committee should:

4.11.1 ensure that the combined assurance received is appropriate to address all the significant risks facing the company; and

4.11.2 monitor the relationship between the external assurance providers and the company.

4.12 Risk management

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

4.12.1 financial reporting risks;

4.12.2 internal financial controls;

4.12.3 fraud risks as it relates to financial reporting; and

4.12.4 IT risks as it relates to financial reporting.

4.12.5 Responsibilities in terms of risk management:

- Oversee the development and annual review of a policy and plan for risk management to recommend for approval to the board;
- Monitor implementation of the policy and plan for risk management taking place by means of risk management systems and processes;
- Make recommendations to the board concerning the levels of tolerance and appetite and monitoring that risks are managed within the levels of tolerance and appetite as approved by the board;
- Oversee that the risk management plan is widely disseminated throughout the company and integrated in the day-to-day activities of the Company;
- Ensure that risk management assessments are performed on a continuous basis;
- Ensure that frameworks and methodologies are implemented to increase the possibility of anticipating unpredictable risks;
- Ensure that management considers and implements appropriate risk responses;
- Ensure that continuous risk monitoring by management takes place;
- Liaise closely with the Audit Committee to exchange information relevant to risk;
- Express the Committee's formal opinion to the board on the effectiveness of the system and process of risk management;
- Review reporting concerning risk management that is to be included in the integrated report for it being timely, comprehensive and relevant.

4.13 Finance function and Chief Financial Officer

4.14 The Committee reviews the expertise, resources and experience of the company's finance function, and discloses the results of the review in the integrated report.

4.15 The Committee also considers and satisfies itself of the suitability of the expertise and experience of the Chief Financial Officer every year.

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4.16 The Committee shall review subsidiary financial reports and be responsible for subsidiary and managed joint venture audit committee and financial matters unless such subsidiary companies or joint ventures elect to constitute separate audit committees as defined by the Companies Act (as amended) to fulfil the duties and obligations required by law. The Committee will perform the functions of an audit committee for each subsidiary company to the extent that may be required by the Companies Act (as amended) in South Africa. For subsidiaries which do not have an audit committee as defined by the Companies Act (as amended), the Committee may constitute sub committees called financial review and compliance committees to assist it in discharging its duties in respect of the subsidiaries by collating and recording the information the Committee requires for its work.

4.17 The Committee shall receive and deal appropriately with any complaints relating to accounting practices, internal audit, content or auditing of financial statements or to any related matter. Complaints shall be received and dealt with in accordance with the approved Audit Risk and Compliance Committee Procedure for handling complaints.

4.18 Datatec Social & Ethics Committee

4.19 The Datatec Social & Ethics Committee has the role of monitoring compliance with the Company's code of conduct and the ethical conduct of the Company, all Group companies, Group executives and senior officials and identification of any violations of ethical conduct as set out in the committee's charter. The Audit Committee will receive the minutes of the Social & Ethics Committee's meetings to be kept informed of its activities.

4.20 To perform any other functions determined by the Board.

5 MEETINGS AND PROCEEDINGS

5.1 Meetings of the Committee will be held as frequently as the Committee considers appropriate, but it will normally meet no fewer than three times a year. Meetings must be held prior to the Board's approval of final results and annual report and before the Board's approval of interim results.

5.2 The Chairman of the Board, Chief Executive Officer and Chief Financial Officer of Datatec, representatives of the Company's financial management and representatives of the external and internal auditors should attend meetings as invitees and will have unrestricted access to the Chairman of the Committee or any other member of the Committee as required.

5.3 Other Board members shall also have a right of attendance.

5.4 Reasonable notice of meetings and the business to be conducted must be given to the members of the Committee and to all invitees specified in 5.2 above.

5.5 Meeting agendas shall be prepared and distributed in advance together with sufficient background information to enable Committee members to appropriately prepare for the meetings.

5.6 The Committee will meet with the external auditors not more than one month before the Board meets to approve the six monthly and twelve monthly results

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announcements and again if necessary prior to the approval of the annual financial statements (if done separately from the announcement) so as to consider matters which appear to the auditor or the Committee to be of importance.

- 5.7** The Committee will meet with the internal and the external auditors at least annually without management or the other auditor present in order to discuss any issues relevant to the audit.
- 5.8** The external auditors may request a meeting if they consider that one is necessary.
- 5.9** The quorum for decisions of the Committee is specified in Clause 3.7.
- 5.10** No attendee shall have a vote at meetings of the Committee.
- 5.11** The minutes of all meetings, or summaries thereof, shall be submitted to the Board at the Board meeting immediately following the Committee meeting and the agenda for each such Board meeting shall provide the opportunity for the Chairman of the Committee to report orally on any matters of importance as well as the Committee's findings and recommended actions.
- 5.12** At the request of the Chairman of the Committee the secretary shall prepare an agenda for the next meeting which will incorporate the minutes of the previous meeting held.
- 5.13** Unless varied by these terms of reference, meetings and proceedings of the Committee will be governed by the Company's Memorandum of Incorporation regulating the meetings of any directors and committees.
- 5.14** 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 company secretary.
- 5.15** 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.
- 5.16** The Committee must establish an annual work plan for each year to ensure that all relevant matters are covered by the members agendas of the meetings planned for the year.
- 5.17** The annual plan must ensure proper coverage of the matters laid out in the audit committee charter: 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.
- 5.18** Committee members must be fully prepared for Committee meetings to be able to provide appropriate and constructive input on matters for discussion.
- 5.19** Individuals in attendance at Committee meetings by invitation may participate in discussions but do not form part of the quorum for Committee meetings.

6 AUTHORITY OF THE COMMITTEE AND RESOURCES AVAILABLE TO IT

- 6.1** The Committee acts in accordance with its statutory duties and the delegated authority of the board as recorded in this terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

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- 6.2** The Committee is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee and provide it with all information it requests.
- 6.3** The Committee is authorised to require any employee of the Company to attend its meetings, in addition to the attendees specified in 5.2 above.
- 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, and company secretary or assurance providers to provide it with information subject to board approved process.
- 6.5** The Committee has authority to meet with the Internal Auditors and External Auditors without management of the Company being present (as required by 5.7 above).
- 6.6** The Committee must have reasonable access to the company's records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to following board approved process.
- 6.7** The Committee has the right to seek independent advice and the power to investigate any matter within the ambit of its authority.
- 6.8** Membership of the Audit Committee should be contained in the annual report.
- 6.9** The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.
- 6.10** The Committee has decision-making authority in regard to its statutory duties and is accountable in this respect to both the board and the shareholders.
- 6.11** On all responsibilities delegated to it by the board outside of the statutory duties, the Committee makes recommendations for approval by the board.

7 REPORTING PROCEDURE

- 7.1** The secretary shall circulate the minutes of meetings of the Committee to all members of the Board.
- 7.2** The Chairman of the Committee shall account to the Board for its activities and make recommendations to the Board concerning the adoption of the annual and interim financial statements and any other matters arising from the Committee's responsibilities.
- 7.3** The Chairman of the Committee shall attend the Annual General Meeting of the Company to answer questions concerning matters falling within the ambit of the Committee.

8 FEES AND EXPENSES

- 8.1** Having regard to the functions performed by the members of the Committee, in addition to their functions as directors and in relation to the activities of the Committee and pursuant to the specific power conferred upon the Board by the Articles of

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Association of the Company, members of the Committee shall be paid such additional special remuneration in respect of their appointment as shall be fixed by the Board and as approved by shareholders.

- 8.2** The Chairman of the Committee shall receive a further fee, determined by the Board, in addition to his remuneration as a member.
- 8.3** Such additional special remuneration in terms hereof shall be in addition to the fees payable to directors.
- 8.4** The Company shall meet all expenses reasonably incurred by the Committee including the fees of any consultant or specialist engaged by the Committee to assist in the performance of its duties.

9 GENERAL

- 9.1** The Committee shall undertake annual self-assessments which will include assessments by the external and internal auditors and the CFO.
- 9.2** This Charter may be amended as required, subject to the approval of the Board.