

## **BID CORPORATION LIMITED**

### **DIVISIONAL AUDIT & RISK COMMITTEE CHARTER**

The Divisional Audit & Risk Committee ('DARC') is constituted as a sub-committee of Bidcorp's Group Audit and Risk Committee ('GARC') in respect of all duties assigned to it by the GARC.

The duties and responsibilities of the members of DARC are in addition to those as members of the board and GARC. 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 statutory obligations.

This Charter is subject to the provisions of the Companies Act, 71 of 2008, the Bidcorp Memorandum of Incorporation and any other applicable law or regulatory provision.

#### **1. PURPOSE OF THE CHARTER**

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

#### **2. COMPOSITION**

##### **Membership**

- 2.1. The DARC will comprise a minimum of one member, being the chairman of the GARC, who comprehends the following topics:
  - 2.1.1. internal financial controls and internal governance processes;
  - 2.1.2. external and internal audit processes;
  - 2.1.3. integrated reporting, including financial reporting;
  - 2.1.4. risk management, including sustainability issues and IT governance; and
  - 2.1.5. corporate law and other applicable regulatory requirements.
- 2.2. Members of DARC and their permanent invitees shall be reviewed and approved annually by the GARC.

##### **Permanent and other invitees**

- 2.3. The chief executive and chief financial officer, business chief executives and financial managers, group internal audit manager and business internal audit managers, senior external audit partner and business external audit partners shall

be permanent invitees and shall have unrestricted access to the DARC chairman in relation to any matter falling within the DARC's remit.

- 2.4. The DARC chairman may invite other persons, as relevant, to attend meetings.

### 3. ROLE

3.1. The DARC has an independent role, operating as an overseer, provider of information and a maker of recommendations to the GARC for its consideration. The committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

3.2. In addition to its statutory responsibilities, the overall function of the DARC is to assist the GARC in discharging its' responsibilities relating to the:

3.2.1. safeguarding of Bidcorp's assets;

3.2.2. operation of adequate and effective systems and control processes;

3.2.3. preparation of fairly presented financial statements in compliance with all applicable legal and regulatory requirements and accounting standards;

3.2.4. oversight of the external and internal audit functions and appointments;

3.2.5. oversight and review of significant transactions and unusual events; and

3.2.6. identification of the risk profile and risk appetite of Bidcorp.

### 4. DELEGATED DUTIES OF THE DARC

#### External Auditors

The DARC is required to:

4.1. Monitor the performance of the external auditors across all businesses and to annually provide GARC with feedback for the consideration of reappointment of external auditors.

4.2. Consider all proposed non-audit service contracts with the external auditor within the respective Bidcorp business, and to inform the GARC of such engagements for consolidated approval.

4.3. Evaluate the independence of the external auditor in relation to any Bidcorp entity:

4.3.1. ascertain whether the external auditors receive any remuneration or benefit, except for rendering audit and other permitted services; and

4.3.2. consider the extent of consultancy, advisory or other services undertaken by the external auditor.

- 4.4. Discuss the nature and scope of the external audit.
- 4.5. Obtain assurances from the external auditors that adequate accounting records were being maintained by the relevant businesses.
- 4.6. Obtain a statement from the external auditors confirming that its independence was not impaired.
- 4.7. A reporting process should be agreed to ensure the DARC is informed of any identified Reportable Irregularities (as required by the Auditing Professions Act, 2005) and to provide feedback thereon to the GARC.
- 4.8. Annually the DARC should review the quality and effectiveness of the external audit process and evaluate the performance of the external auditor within each business.
- 4.9. The DARC should monitor the rotation of the external audit engagement partner, in accordance with relevant requirements.

#### Internal audit

- 4.10. The DARC is responsible for overseeing internal audit in the various businesses, in particular the DARC shall:
  - 4.10.1. ensure the independence of internal audit and confirm that internal audit has the necessary resources, budget, standing and authority to enable it to discharge its functions;
  - 4.10.2. approve the internal audit plan, as well as oversee the objectives of the internal audit function; and
  - 4.10.3. encourage cooperation between external and internal audit.
- 4.11. Review written assessments of the effectiveness of the system of financial controls, internal controls and risk management from the internal auditors.

#### Combined assurance

- 4.12. Ensure that a combined assurance model has been applied within the businesses to provide a coordinated approach to all assurance activities appropriately addressing all the significant risks facing Bidcorp.
- 4.13. Monitor the relationship between the various external and internal assurance providers.

#### Risk oversight

- 4.14. The periodic facilitation of risk assessment, to determine the material risks to which the businesses may be exposed and to evaluate the strategy for managing those risks.

- 4.15. Reporting to the GARC on the work undertaken in establishing and maintaining the understanding of the risks that need to be managed and the adequacy of action taken by management to address identified areas for improvement.
- 4.16. Review the business' policies on risk assessment and risk management, including fraud risks and information technology risks, and ensure timely response and adequately reporting on non-compliance detected.
- 4.17. Consider with senior management and the internal and external auditors any fraud, illegal acts, deficiencies in internal control, significant risks and risk mitigation plans.
- 4.18. Identify and monitor the non-financial aspects relevant to the businesses and review appropriate non-financial information that goes beyond assessing the financial and quantitative performance.

## 5. AUTHORITY

- 5.1. The GARC authorises the DARC to investigate any activity that falls within the scope of its responsibilities, including liaising with those necessary to fulfil this purpose, including but not limited to:
  - 5.1.1. consulting and seeking information from any employee within Bidcorp and any external party;
  - 5.1.2. obtaining outside legal or other professional counsel as required; and
  - 5.1.3. liaising with all auditors and/or subsidiaries and/or associates.
- 5.2. The GARC will review and report to the Board on the adequacy of functions conducted by the DARC on its behalf.
- 5.3. At least once a year, the DARC shall meet separately with the external auditors and internal auditors, without the executive directors or other executives being present.
- 5.4. As required DARC shall make submissions to the GARC on any matter concerning Bidcorp's accounting policies, financial control, records and reporting.

## 6. MEETING PROCEDURES

- 6.1. Meetings shall be held as frequently as the DARC chairman considers appropriate but should meet not less than four times a year.
- 6.2. A quorum for the meeting will be a minimum of two DARC members.
- 6.3. The DARC agenda and pack shall be agreed with the DARC chairman and distributed in advance to enable DARC members to prepare for meetings.
- 6.4. The DARC chairman shall have the right to exclude from the meeting or from any item on the agenda any invitee or member if a conflict of interest becomes evident.

- 6.5. The draft minutes of DARC meetings shall be circulated to all DARC members ahead of the next DARC meeting for review and approval during the next meeting. The approved minutes shall be signed by the DARC chairman and affixed in a minute book.
- 6.6. The minutes of all DARC meetings, summaries and reports of DARC findings shall be submitted to the GARC, for consideration at the next scheduled GARC meeting.
- 6.7. The chairman of the GARC is required to report the all significant matters arising from the DARC to the GARC timeously.

## **7. EVALUATION**

- 7.1. The Board must perform an annual evaluation of the effectiveness of the DARC.

## **8. APPROVAL**

- 8.1. On an annual basis this Divisional Audit & Risk Committee Charter is reviewed and recommended to the GARC for approval and adoption.