

<b>Revision No:</b> 07 <b>Issue Date:</b> November 2013 <b>Last Review Date:</b> November 2015	<b>Author:</b> CI Lewis	<b>Review and recommend for approval:</b> Audit Committee	<b>Approval:</b> Grindrod Board	Page 1 of 9
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(Registration Number: 1966/009846/06)

**AUDIT COMMITTEE**  
**TERMS OF REFERENCE**

**1. Definitions**

Unless the context indicated otherwise, the following words, terms of expressions shall have the meanings to them hereunder;

- 1.1 “**Auditor**” means the Auditor of the Company, as defined in terms of section 90 of the Companies Act;
- 1.2 “**Board**” means the board of directors of the Company;
- 1.3 “**Board Charter**” means the Grindrod Limited Board charter approved on 30 May 2012 by the Grindrod Limited Board of Directors, as amended from time to time;
- 1.4 “**Chairman**” means the chairman of the Audit Committee appointed by the Board;
- 1.5 “**Committee**” means the Audit Committee of the Company;
- 1.6 “**Companies Act**” means the Companies Act No 71 of 2008, as amended from time to time;
- 1.7 “**Mol**” means Memorandum of Incorporation of the Company;
- 1.8 “**Company**” means Grindrod Limited (Registration Number 1966/009846/06), including its subsidiaries;
- 1.9 “**Directors**” means directors of the Company from time to time;
- 1.10 “**King III**” means the King Report on Governance for South Africa 2009;
- 1.11 “**Members**” mean the initial persons appointed as members of the Committee as well as any persons succeeding them in terms of these Terms of Reference;
- 1.12 “**Prescribed Officers**” means prescribed officers of the Company as so determined by the Board of the Company;
- 1.13 “**Regulations**” means the Regulations published under GN R351 in GG 34239 of 26 April 2011 in terms of the Companies Act, as amended from time to time.

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## **2.1 Introduction**

- 2.1.1 In terms of section 94 of the Companies Act, read with the Regulations, the Company is obliged to appoint an Audit Committee.
- 2.1.2 This Committee is constituted as a statutory committee in terms of its statutory duties as set out in section 94(7) of the Companies Act, as well as a delegated committee in terms of all other duties delegated by the Board to the Committee.
- 2.1.3 Principle 3.1 of King III states that the board should ensure that the Company has an effective and independent audit committee. These terms of reference are subject to the provisions of the Companies Act, the Company's MoI, the Board Charter and any other applicable law or regulatory provision. 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.
- 2.1.4 Clause 3.5.2 of the Board Charter states that the Board needs to be guided by the Audit Committee on issues such as that:
- the Company's risk philosophy, strategies and policies are appropriate to the business and that there is due compliance with all risk related policies, procedures and standards;
  - the internal controls, both operational and financial are effectively maintained and where necessary reviewed; and
  - there is an effective risk based internal audit.

## **2.2 Distinction between statutory and delegated duties**

- 2.2.1 Certain duties of the Committee fall within the exclusive mandate and jurisdiction of the Committee, certain are set out in the Companies Act and others are delegated duties.
- 2.2.2 Clause 3.4.4 of the Board Charter makes provision for the Board to delegate certain matters to the Committee.
- 2.2.3 The responsibilities and duties of the Committee members as set out in this document are additional to the responsibilities and duties that they have as members of the Board.
- 2.2.4 Section 94(10) of the Companies Act states that neither the

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appointment nor the duties of an Audit Committee reduce the functions and duties of the Board or the directors of the Company, except with respect to the appointment of the Auditor; fees payable to the Auditor; and terms of engagement of the Auditor.

- 2.2.5 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. The Committee must make recommendations on all responsibilities delegates by the Board who will then take a decision to approve or not.

### **3. Appointment and Composition**

- 3.1 Members will be appointed at the annual general meeting by shareholders from amongst the independent Non-executive Directors of the Company.
- 3.2 The Committee shall consist of at least three (3) members, all of whom must be independent non-executive directors not involved in the day to day management of the Company within the previous financial year, a Prescribed Officer or full-time employee of the Company or another related company, or have been such an officer or employee at any time during the previous three financial years; or a material supplier or customer of the company such that a reasonable and informed third party would conclude that the integrity, impartiality or objectivity of that director is compromised by that relationship and may not be related to any person who falls into any of the criteria mentioned above.
- 3.3 The Nomination Committee must recommend the appointment of the members of the Committee to the Board, who in turn must recommend the election to shareholders.
- 3.4 In deliberating on the appointment of Members, the Nomination Committee and the Board should give due consideration to the required skill and experience of the independent non-executive director required to fulfil the functions of the Committee.
- 3.5 The members of the Committee must collectively have sufficient qualifications and experience including an understanding of financial and sustainability reporting, internal financial controls, external audit

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processes, internal audit processes, corporate law, risk management sustainability issues, information technology governance as it relates to integrated reporting and governance processes within the company.

- 3.6 The Board shall appoint the Chairman of the Committee, who shall be an independent non-executive director.
- 3.7 Should any vacancies arise on the committee, the Board must fill that vacancy within 40 business days after it arises.
- 3.8 The Chairman of the Board is not eligible to be the Chairman or member of the Committee.
- 3.9 If at any meeting of the Committee the Chairman is absent the remaining members present shall elect one of the members to chair that specific meeting.

#### **4. Ineligibility and disqualification of members**

A person is ineligible or disqualified to become a member of the Committee if such a person is ineligible or disqualified in terms of Section 69 of the Companies Act; and if such person is not a director of the Company and who does not comply with the minimum qualification requirements as may be prescribed by the Minister from time to time.

#### **5. Secretary**

- 5.1 The company secretary or his/her nominee shall act as the secretary of the Committee.
- 5.2 The secretary or his/her nominee shall take written minutes of all meetings of the members; circulate them to the members for correctness and ensure that the Chairman signs the minutes as a correct reflection of the proceedings at the meetings.
- 5.3 The secretary shall maintain a minute book and a register of all resolutions of the Committee.

#### **6. Mandate and responsibilities**

The Committee has the following responsibilities:

- 6.1 Integrated Reporting, including financial reporting
  - 6.1.1 to ensure that all factors and risks that may impact on the

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integrity of the Integrated Annual Report including factors that may predispose management to present a misleading picture, significant judgements and reporting decisions made, monitoring or enforcement actions by a regulatory body any evidence that brings into question previously published information, forward-looking statements or information.

- 6.1.2 to 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
- 6.1.3 to comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls
- 6.1.4 to review the disclosure of sustainability issues in the integrated annual report to ensure that it is reliable and does not conflict with the financial information
- 6.1.5 to recommend to the board the engagement of an external assurance provider on material sustainability issues.
- 6.1.6 to recommend the integrated report for approval to the Board.
- 6.1.7 to consider the frequency for issuing interim results
- 6.1.8 to consider whether the Auditor should perform assurance procedures on the interim results.
- 6.1.9 to review the content of the summarized information and consider whether it provides a balanced view.

## 6.2 Combined Assurance

- 6.2.1 The Committee will ensure that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities and to ensure that the combined assurance received is appropriate to address all the significant risks of the company.
- 6.2.2 The Committee will monitor the relationship between the external assurance providers and the Company.
- 6.2.3 To engage the Auditors to provide assurance on the

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summarised financial information.

### 6.3 Taxation

6.3.1 The Committee will review the Company's tax policy and strategy, as well as its implementation.

### 6.4 Finance Function and Financial Director

6.4.1 The Committee will review the expertise, experience and resources of the Company's finance function and disclose its findings in the integrated annual report.

6.4.2 The Committee will also annually consider and satisfy itself of the suitability, expertise and experience of the financial director.

### 6.5 Internal Audit

6.5.1 The Committee is responsible for overseeing the internal audit function and is responsible for the appointment, performance assessment and/or dismissal of the Internal Audit Manager.

6.5.2 The Committee must approve the internal audit plan.

6.5.3 The Committee must ensure that the internal audit function is subject to an independent quality review at its discretion.

### 6.6 Risk Management

The Committee is an integral component of the risk management process and specifically the Committee must oversee financial reporting risks, internal financial controls, tax risks as well as fraud and IT risks as they relate to financial reporting. The Committee shall report to the Risk board sub-committee on its performance in this regard.

### 6.7 Auditor

(Statutory Duties in terms of Section 94 (7) (a) – (i) of the Companies Act)

6.7.1 To nominate for appointment by shareholders the Auditor.

6.7.2 To ensure that the appointment of the Auditor is legally

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compliant.

- 6.7.3 To approve the terms of engagement and fees to be paid to the Auditor.
- 6.7.4 To monitor and report on the independence of the Auditor in the annual financial statements.
- 6.7.5 To determine the nature and extent of any non-audit services provided by the Auditor.
- 6.7.6 To pre-approve the letters of engagement for non-audit services to be rendered by the Auditor.
- 6.7.7 To ensure that there is a process for the Audit Committee to be informed of any reportable irregularities identified and reported by the Auditor (as identified in the Auditing Profession Act, 2005).
- 6.7.8 To review the quality and effectiveness of the external audit process.
- 6.7.9 To 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 in the JSE list of Auditors and their advisors as required by the JSE Limited Listings Requirements.

## 6.8 Authority

- 6.8.1 The Chairman of the Committee must be present at all Annual general meetings.
- 6.8.2 The Committee has the authority to investigate any activity within the scope of its terms of reference.
- 6.8.3 The Committee may call upon the Chairman of any other Board committee, any executive director, prescribed officers, company secretary or assurance providers to provide information to the Committee in fulfilment of its duties and responsibilities subject to board approval.
- 6.8.4 The Committee will have reasonable access to company records, facilities, employees and any other resources necessary to discharge its duties and responsibilities subject to board approval.

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6.8.5 The Committee may form and delegate authority to sub-committees and may delegate authority to one or more designated members of the Committee.

6.8.6 The Committee has the right to obtain independent outside professional advice to assist with the execution of its duties at Company's cost subject to board approval

## 7. **Meeting procedures**

### 7.1 Frequency

7.1.1 The Committee shall meet at least twice a year. Further meetings may be called with the approval of the Chairman of the Committee by the Auditor, the Group Chief Executive Officer or other members of senior management or by the Board, and shall be governed by the provisions of the Company's MoI relating to meeting procedures.

7.1.2 The Committee may meet with the internal auditor and Auditor without management being present as and when required.

### 7.2 Quorum

7.2.1 A quorum for a meeting of the Committee shall be two members present personally and no business shall be transacted at a meeting of the Committee unless the requisite quorum is present.

7.2.2 A resolution pursuant to achieving the objectives contained herein signed by all the members (unanimous resolution) shall be as effective for all purposes as if it had been passed at a meeting of the Committee duly convened, held and constituted.

7.2.3 The Group Chief Executive Officer, Group Financial Director, Internal audit manager, Group Chief Information Officer, representatives from the Auditor, other assurance providers, professional advisors and board members may attend Committee meetings by invitation only and are not eligible to vote. They also do not constitute a quorum.

## 8. **General**

8.1 The Committee shall on an annual basis:



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8.1.1 Review its performance in the form of an evaluation by the Chairman of the Committee, who will then be evaluated by the Board; and

8.1.2 Review its Terms of Reference to ensure optimal effectiveness and to recommend any changes it considers necessary to the Board for approval.

8.3 Review and approve its Annual Work Plan.

8.2 The Company shall pay all expenses reasonably incurred by the Committee, including if the committee considers it appropriate, the fees of any consultant or specialise engaged by the Committee to assist it in the performance of its functions

**9. Repeal of previous Terms of Reference**

These Terms of Reference shall revoke and supersede the current Terms of Reference in its totality from the date of its approval of the Committee.