

**TERMS OF REFERENCE OF THE FINANCE, RISK AND AUDIT
COMMITTEE OF THE SADCAS BOARD
OF DIRECTORS**

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1. COMPOSITION OF THE FINANCE, RISK AND AUDIT COMMITTEE

- 1.1 The Finance, Risk and Audit Committee (FRAC) hereinafter referred to as the “Committee”, shall be established by the SADCAS Board of Directors herein referred to as the “Board”. The Committee shall comprise of at least three members a majority of whom shall be Non - Executive Directors of the SADCAS Board. The Board shall appoint all members of the Committee. The Chairman of the Board shall not be eligible to be appointed as a member of the Finance, Risk and Audit Committee.
- 1.2 At least one of the Committee members shall be financially literate, independent of management and free from any business or other relationship that could interfere with the exercise of their independent judgment.
- 1.3 The Chairman of the Committee shall be appointed by the Board and shall be a non-Executive Director. If at any meeting the Chairman is not present within five (5) minutes after the time appointed for holding the meeting, the members present may choose one of the non - Executive members to be Chairman of the meeting.
- 1.4 The Board shall have the power at any time to remove any member(s) from the Committee and to fill any vacancy (ies) created by such removal.
- 1.5 The Board may co-opt suitably qualified persons onto the Committee to provide such specialist services as may be required to assist the Committee on any particular matter.
- 1.6 The Board Secretary will act as secretary of the Committee.
- 1.7 Members shall be appointed for terms of office which are consistent with their terms of office on the Board.

2. DUTIES OF THE FINANCE, RISK AND AUDIT COMMITTEE

2.1 Financial Reporting

- 2.1.1 To review and challenge, where necessary, the actions and judgments of management, in relation to the company’s financial statements, operating and financial review, interim reports, preliminary announcements and related formal statements before submission to, and approval by the Board, and before clearance by the external auditors. Particular attention should be paid to:

- Critical accounting policies and practices, and any changes in them;
- Decisions requiring a significant element of judgment;
- The extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
- The clarity of disclosures;
- Significant adjustments resulting from the external audit;
- The going concern assumption;

- Compliance with accounting standards;
- Compliance with all legal requirements; and
- To consider other topics, as defined by the Board.

2.2 Internal Control and Risk Management

- 2.2.1 To review the company's procedures for detecting fraud and whistle blowing and ensure that arrangements are in place by which staff can, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control and other matters.
- 2.2.2 To review management's and the internal auditor's reports on the effectiveness of the systems for internal control, financial reporting and risk management.
- 2.2.3 To monitor the integrity of the company's internal controls.
- 2.2.4 To review the statement in the annual report and accounts on the company's internal controls and risk management framework.
- 2.2.5 To assess the scope and effectiveness of the systems established by management to identify, assess, manage and monitor financial and non - financial risks.

Note: *The Board retains responsibility for the review of the effectiveness of the system of internal control and must form its own opinion despite aspects of that review being delegated to the Finance, Risk and Audit Committee.*

- 2.2.6 To ensure that Limits of Authority are complied with.
- 2.2.7 To safeguard the SADCAS' assets against unauthorized use or disposal thereof.

2.3 Internal Audit

- 2.3.1 To consider annually whether there is a need for an internal audit function where no such functions exists.
- 2.3.2 To review and approve the internal audit programme and ensure that the internal audit function is adequately resourced and has appropriate standing within the company.
- 2.3.3 To ensure that the internal auditor has direct access to the Board Chairman and the Finance, Risk and Audit Committee and is accountable to the Committee.
- 2.3.4 To receive a report on the results of the internal auditor's work on a periodic basis.
- 2.3.5 To review and monitor management's responsiveness to the internal auditor's findings and recommendations.

2.3.6 To monitor and assess the role and effectiveness of the internal audit function in the overall context of the company's risk management system.

2.3.7 To appoint or dismiss the head of internal audit.

2.4 External Audit

2.4.1 To oversee the company's relations with the external auditor.

2.4.2 To consider and make recommendations to the Board on the appointment, reappointment and removal of the external auditor.

2.4.3 To approve the terms of engagement for the external auditor.

2.4.4 To consider and make recommendations to the Board on the remuneration to be paid to the external auditor in respect of audit services provided.

2.4.5 To assess the qualification, expertise and resources, effectiveness and independence of the external auditors annually as per defined criteria.

2.4.6 To discuss and review before the external audit starts, the terms, nature and scope of external audit function, audit fees, timing and nature of reports from external auditors.

2.4.7 To attend the annual external audit feedback meeting.

2.5 Budgets

2.5.1 To consider annual budget proposals and make recommendations to the Board.

2.5.2 To consider any supplementary budget proposals and make recommendations to the Board.

3. FINANCE, RISK AND AUDIT COMMITTEE MEETINGS

3.1 Frequency of Meetings

3.1.1 Meetings shall be held at least four times a year (to coincide with key dates in the company's financial reporting cycle). For cost effectiveness, meetings of the Finance, Risk and Audit Committee shall be held in conjunction with, but before Board meetings. External auditors or internal auditors may request a meeting of the Finance, Risk and Audit Committee if they consider that one is necessary.

3.1.2 Notice of each meeting of the Committee, confirming the venue time and date, and enclosing an agenda of items to be discussed shall, unless otherwise agreed by all concerned, be forwarded to each member of the Committee and any other person required to attend, at least five (5) working days prior to the date of the meeting.

3.1.3 The Chief Executive Officer and Financial Administrator of the company as well as the external auditor may be called upon to attend Finance, Risk and Audit Committee meetings in their official capacity.

3.1.4 Other parties may be called upon to attend by prior approval by the Chairman of the Committee. All those listed above will have unrestricted access to the Chairman or any other member of the Committee in relation to any matter falling within the mandate of the Committee.

3.1.5 No attendee other than the Committee members will have a vote at meetings of the Committee.

3.2 **Quorum**

3.2.1 A quorum shall consist of a majority of Committee members present throughout the meeting.

3.2.2 The Committee shall seek to make decisions on the basis of consensus at all times. However, should this not be achieved, then decisions shall be taken by a simple majority vote of Committee members present throughout the meeting.

3.2.3 A decision taken by the Committee or an act performed under the authority of such a decision shall not be invalid merely by reason of a vacancy on the Committee.

3.3 **Meeting Proceedings**

3.3.1 Rules and procedures governing meetings and proceedings of the Board will govern meetings and proceedings of the Finance, Risk and Audit Committee.

3.3.2 if at any meeting the Chairman is not present within five (5) minutes after the time allocated for holding the meeting, the members present may choose one of their non- Executive members to be Chairman of the meeting.

3.3.3 The Secretary shall keep appropriate records of all meetings of the Committee as well as minutes of the proceedings and all decisions made.

3.3.4 Minutes of all meetings shall be circulated to all members of the Finance, Risk and Audit Committee and also to other members of the Board.

4. **FINANCE, RISK AND AUDIT COMMITTEE AUTHORITY**

The Committee is authorized by the Board to:

4.1 Investigate any activity within its terms of reference;

4.2 Seek any information that it requires from any employee of the company and all employees are directed to cooperate with any request made by the Committee. The Chief Executive Officer shall be informed of such communication; and

- 4.3 Obtain outside legal or independent professional advice, at the company’s expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 4.4 Advise SADCAS on risks to the financial performance and sustainability of the Company and recommend risk mitigating measures.

5. REPORTING AND ACCOUNTABILITY

- 5.1 The Chairman of the Committee shall account to the Board for the Committee’s activities and make recommendations to the Board concerning the adoption of the annual and interim financial statements and any other matters arising from its responsibilities.
- 5.2 The Chairman (or an alternate member of the Committee) shall attend the Annual General Meeting to answer any questions concerning matters falling within the ambit of the Committee.
- 5.3 In addition to all the above, the Committee shall deal with any other matters formally delegated to it by the Board from time to time.

6. GENERAL

These terms of reference shall be reviewed annually and shall be amended as necessary subject to the approval of the Board.

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**APPENDIX – AMENDMENT RECORD**

| Revision Status | Change |                |                                                                                                                                                                                  | Approved by               | Effective Date |
|-----------------|--------|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------|
|                 | Page   | Clause         | Description of Change                                                                                                                                                            |                           |                |
| Issue 4         | 2      | Contents       | Deleted “2.5 Finance Strategy” and renumber subsequent sub clause listing.                                                                                                       | SADCAS Board of Directors | 2016-05-12     |
|                 | 3      | Sub clause 1.3 | Deleted 1 <sup>st</sup> sentence and substituted with “The Chairman of the Committee shall be appointed by the Board and shall be a non-Executive Director.”                     | SADCAS Board of Directors | 2016-05-12     |
|                 | 7      | Clause 4       | Added Sub clause 4.4 which reads “Advise SADCAS on risks to the financial performance and sustainability of the Company and recommend risk mitigating measures”.                 | SADCAS Board of Directors | 2016-05-12     |
| Issue 5         | 3      | 1.7            | Delete “term” and substitute with “their terms”                                                                                                                                  | SADCAS Board of Directors | 2017-05-11     |
|                 | 6      | 3.3.4          | Delete “may also----- taking place” and substitute with “also to other members of the Board”                                                                                     | SADCAS Board of Directors | 2017-05-11     |
| Issue 6         | 3      | 1.7            | Deleted “of three years which is” and substituted with “which are” to align the terms of office of FRAC members with the terms of Board members as outlined in the Constitution. | SADCAS Board of Directors | 2021-05-20     |