

WOOLWORTHS HOLDINGS LIMITED

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1. CONSTITUTION

- 1.1 The Audit Committee (“the Committee”) is constituted as a statutory committee of the Woolworths Holdings Limited (“the company” or “WHL”) Board (“the Board”) in respect of its statutory duties in terms of section 94(7) of the Companies Act 71 of 2008 (the “Act”), as amended and as a Committee of the Board in respect of all other duties assigned to it by the Board.
- 1.2 The Committee shall be a standing committee, with the composition and membership reviewed by the Board annually.
- 1.3 The Committee shall report to shareholders in terms of its statutory responsibilities and to the Board on all other duties assigned to it by the Board.
- 1.4 The deliberations of the Committee do not reduce the individual or collective responsibilities of the Board members with regard to their fiduciary duties and responsibilities, and they must exercise due care, skill and diligence.
- 1.5 These Terms of Reference are subject to the provisions of the Act, the company's Memorandum of Incorporation and any other applicable law or regulatory provision including the JSE Listings Requirements, and has been drafted with due consideration of the King IV Report on Corporate Governance for South Africa, 2016 (“King IV”).

2. COMPOSITION

- 2.1 The Committee members shall be nominated by the Nominations Committee and the Board and recommended to the shareholders for approval. If the number of members on the Committee falls below the required minimum, the Board will fill such vacancy within 40 business days after the vacancy arises. The Committee shall comprise of at least three members, all of whom shall be independent non-executive directors.
- 2.2 One or more members of the Committee should be members of the Risk and Compliance Committee to facilitate effective functioning of the Committee.
- 2.3 The members of the Committee must collectively have sufficient qualifications and experience to fulfil their duties.
- 2.4 Invitations to attend the Committee meetings shall be extended to:
 - the Group Chief Executive Officer;
 - the Group Finance Director;
 - the external auditors;
 - the Group Head of Treasury;
 - the Group Head of internal audit;
 - the Group Head of Risk and Compliance; and
 - any other senior executives and professional advisors as deemed appropriate.
- 2.5 Individuals in attendance at Committee meetings by invitation may participate in discussions but do not vote on resolutions or form part of the quorum for Committee meetings.

- 2.6 A quorum of the Committee shall be a majority of members.
- 2.7 The Chairman of the Committee shall be appointed by the Board, from its members, and shall be an independent non-executive director. The Chairman of the Board may not be the Chairman of the Committee.
- 2.8 In the absence of the Chairman, the members present may nominate and elect one of their members to chair the meeting.
- 2.9 The Group Company Secretary shall be the secretary to the Committee.

3. ROLE OF THE COMMITTEE (In addition to its statutory duties)

The role of the Committee is to provide independent oversight of the effectiveness of the internal financial controls and the system of internal controls to assist the Board in ensuring and monitoring the integrity of the Group's Annual Financial Statements and related external reports. The Committee further oversees the effectiveness of the Group's external and internal assurance functions and services that contribute to ensuring the integrity of the Group's financial and integrated reporting.

4. MANDATE IN RESPECT OF SUBSIDIARIES

The Committee is appointed to act on behalf of WHL and its subsidiaries. The Committee has been authorised by the Board to establish relevant sub-committees, within the subsidiary companies, constituted of appropriately qualified persons to assist in discharging its mandate in respect of any particular matter contained in these Terms of Reference. The Committee will incorporate feedback from the Woolworths South Africa ("WSA") Audit Review Panel and the David Jones ("DJ") and Country Road Group ("CRG") audit committees into the agendas of the Committee's meetings.

5. RESPONSIBILITIES

The Committee shall operate within the Board's delegation of authority.

Section 94(7) of the Act assigns specific duties to an audit committee. The Committee is responsible for reporting to shareholders on how it has carried out these duties.

In discharging its responsibilities to the Board and shareholders, the Committee will:

- 5.1 Group financial reports
- 5.1.1 have regard to all factors and risks that may impact on the integrity of the financial statements and related external reports;
 - 5.1.2 review the solvency and liquidity, working capital and going concern statements;
 - 5.1.3 oversee the direction and approach for financial reporting and review the quality of the financial statements, interim reports, preliminary results announcements, summarised financial information, the financial content of trading updates, prospectuses, listing documents and/or circulars ("related external reports");
 - 5.1.4 review trading statements in the event that there is reasonable certainty that the interim and/ or final Group results differ by at least 20% from the previous corresponding reporting period;
 - 5.1.5 review the report from internal audit to the Board assessing the effectiveness of the design and the operation of the Group's system of internal controls;
 - 5.1.6 consider the effectiveness of the design and implementation of the Group's internal financial controls;

- 5.1.7 review any financial documents or due diligence reports in the event of acquisitions, takeovers or mergers;
 - 5.1.8 when advised by the Risk and Compliance Committee, review any matters that may have an impact on the financial statements;
 - 5.1.9 review and approve key financial policies;
 - 5.1.10 oversee the Group's compliance with relevant tax legislation in accordance with the Group's compliance policy; and
 - 5.1.11 review and approve the report of the Committee to be included in the financial statements.
- 5.2 Internal financial controls
- 5.2.1 evaluate the nature and extent of the documented review of internal financial controls;
 - 5.2.2 annually report to the Board and stakeholders on the effectiveness of the internal financial controls; and
 - 5.2.3 report any material weakness in internal financial controls that resulted in actual material financial loss to the Board and stakeholders.
- 5.3 Annual Integrated report ("Integrated Report")
- 5.3.1 oversee the preparation and integrity of information to be published in the Integrated Report;
 - 5.3.2 review the disclosure of sustainability issues in the Integrated Report to ensure that it does not conflict with the financial information;
 - 5.3.3 review the content of the summarised information to ensure that it provides a balanced view;
 - 5.3.4 engage the external auditors to provide assurance over the summarised financial information;
 - 5.3.5 review the resources and experience of the finance function;
 - 5.3.6 review the appropriateness of the experience and expertise of the Group Finance Director; and
 - 5.3.7 recommend the Integrated Report to the Board for approval.
- 5.4 External audit
- 5.4.1 annually recommend the appointment of a registered and independent external auditor;
 - 5.4.2 determine the scope of engagement and fees of the external auditor;
 - 5.4.3 ensure the appointment of the auditor is in terms of the Act and other legislation;
 - 5.4.4 consider the independence of the external auditors on an annual basis;
 - 5.4.5 determine the nature and extent of non-audit services which can be provided by the external auditors;
 - 5.4.6 pre-approve the provision of non-audit services where required;
 - 5.4.7 review the performance and evaluate the effectiveness of the external audit process with reference to appropriate audit quality indicators;
 - 5.4.8 obtain confirmation that the external audit firm is accredited by the JSE;
 - 5.4.9 convene a separate meeting with the external auditors to discuss any matters that the Committee members or the auditors believe should be discussed privately; and
 - 5.4.10 review and consider the external auditor's determination and communication of key audit matters.
- 5.5 Internal audit
- 5.5.1 approve an Internal Audit Charter that defines the role, responsibilities and authority of internal audit including the internal audit standards to be adopted;

- 5.5.2 appoint the Group Head of internal audit and ensure that the individual has the necessary competency, gravitas and objectivity to fulfil the role effectively;
 - 5.5.3 approve the removal of the Group Head of internal audit should this be necessary;
 - 5.5.4 ensure that the Group Head of internal audit has access to the Chairman of the Committee;
 - 5.5.5 evaluate the effectiveness of the internal audit process in terms of its scope, execution, coverage, independence, skills, performance and position within the organisation;
 - 5.5.6 satisfy itself that the internal audit department is sufficiently resourced to provide adequate assurance to the Committee and/ or has access to specialist skills should these be required;
 - 5.5.7 approve the risk-based internal audit coverage plan and ensure that internal audit reviews its audit plan should a change in of the Group's risk profile require adaptation of the plan during the financial year;
 - 5.5.8 review, as part of the process to recommend the interim and annual financial statements, the interim and annual assessment of the design, implementation and effectiveness of internal financial controls provided by the internal audit department;
 - 5.5.9 ensure that the internal audit function is subject to an external, independent quality review at least once every five years;
 - 5.5.10 convene a separate meeting with the Head of Internal audit to discuss any matters that the Committee members believe should be discussed privately;
 - 5.5.11 receive and consider a bi-annual overall statement on the governance, risk management and assessment of design, implementation and effectiveness of the internal control environment of the Group; and
 - 5.5.12 obtain confirmation annually from internal audit that the internal audit function conforms to a recognised industry code of ethics.
- 5.6 Combined assurance
- 5.6.1 oversee that the combined assurance model enables an effective internal control environment; supports the integrity of information used for internal decision making; and supports the integrity of related external reports;
 - 5.6.2 ensure that the combined assurance model incorporates and optimises the various internal and external assurance services and functions as appropriate and ensures a co-ordinated approach to assurance;
 - 5.6.3 oversee that the combined assurance model is designed and implemented to effectively cover the Group's significant risks and material matters through the use of internal and external assurance services and functions;
 - 5.6.4 ensure that the financial risks and financial reporting risks are appropriately reflected in the combined assurance model; and
 - 5.6.5 are satisfied of the independence and effectiveness of the internal and external assurance providers.
- 5.7 Risk management
- 5.7.1 oversee that the following processes are adequately managed:
 - management of financial and other risks that affect the integrity of external reports issued by the Group;
 - internal financial controls;
 - information technology risks as it relates to financial reporting; and
 - fraud and corruption risks in relation to financial reporting.

- 5.8 Reporting
 - 5.8.1 ensure that the Board is aware of matters which may significantly impact the financial position of the Group;
 - 5.8.2 consider management's basis for determining materiality for external reporting and recommend the same to the Board for approval;
 - 5.8.3 make any submission to the Board on accounting policies, financial controls and reporting; and
 - 5.8.4 report to shareholders on how it has carried out the duties contained in Sec 94(7) of the Act and King IV.
- 5.9 Governance
 - 5.9.1 accept the role of the audit committee for the company and the South African subsidiary companies that are required to have an audit committee in terms of their Memorandum of Incorporation;
 - 5.9.2 ensure that there is a process in place to deal with any concerns and/or complaints (whether from within or outside the Group) relating to accounting policies, the financial statements and internal financial controls;
 - 5.9.3 review and report to the Board on the application of King IV principles;
 - 5.9.4 review and consider reports from the Audit Review Panel of WSA and audit committees of DJ and CRG; and
 - 5.9.5 review and consider matters recommended by the Group Treasury Committee.

6. MEETINGS OF THE COMMITTEE

- 6.1 Committee meetings shall be held quarterly. The Committee Chairman shall report on key matters addressed by the Committee at each Board meeting.
- 6.2 Additional meetings may be held at the request of the Chairman or any member of the Committee or Board as required.
- 6.3 All directors of the Board are entitled to attend the Committee meetings.
- 6.4 Minutes of the Committee meetings shall be distributed timeously.
- 6.5 Committee papers shall, other than under exceptional circumstances, be forwarded to each member of the Committee no fewer than seven days prior to the date of the meeting.
- 6.6 Members of the Committee shall declare any conflict of interest in respect of matters on the agenda and such declarations managed as deemed necessary.
- 6.7 The Chairman of the Committee shall attend the Annual General Meeting of the company and be prepared to respond to any shareholder questions on the Committee's activities.

7. AUTHORITY OF THE COMMITTEE

- 7.1 The Committee shall have authority to:
 - 7.1.1 access any information it needs to fulfil its responsibilities;
 - 7.1.2 seek independent advice at the company's expense; and
 - 7.1.3 investigate matters within its mandate.
- 7.2 The Committee shall have the ability to consult with and receive the full cooperation of any employee where necessary to fulfil its responsibilities.

8. REMUNERATION OF MEMBERS

Members of the Committee shall be paid such remuneration in respect of their appointment as recommended by the Board and approved by shareholders. The Chairman of the Committee shall, in addition to his/her remuneration as a member, receive a further sum as recommended by the Board and approved by shareholders.

9. REVIEW OF TERMS OF REFERENCE

The Committee shall review the Terms of Reference annually, to ensure that they remain consistent with its statutory duties and the Board's objectives and responsibilities. The Terms of Reference may be amended as required, subject to the approval of the Board.

10. EVALUATION OF THE COMMITTEE'S PERFORMANCE

The Committee shall ensure that a formal process, recommended by the Nominations Committee and approved the Board, is followed for evaluating the performance of the Committee, at least every second year.