

INTERNAL AUDIT CHARTER



Introduction

The International Standards for the Professional Practice of Internal Audit, Standard 1000, requires the purpose, authority and responsibility of the Internal Audit function to be formally defined in an Internal Audit Charter. The purpose of this charter establishes the Internal Audit function within Sibanye-Stillwater.

Internal control is the responsibility of management. It is a process designed to provide reasonable assurance of:

- Accomplishment of established objectives and goals for the organisation;
- Effective and efficient operations;
- Reliable financial and non-financial data;
- Safeguarding of assets; and
- Compliance to applicable laws and regulations.

The required reasonable assurance exists when all the components of management control (the control environment; risk assessment processes; control activities; information systems, communication systems and monitoring activities) are implemented and operate effectively.

The Charter serves as a guide to Internal Audit in the performance of its duties. The Charter does not include, nor is it intended to include, all of the department's duties or responsibilities, as they may exist from time to time.

The Charter is intended to:

- Provide a written record of formally approved policies of the Internal Audit Department;
- Provide a basis for the evaluation of the performance of the Internal Audit Department; and
- Serve as a guideline in the organisation and administration of the Internal Audit Department.

Purpose

The purpose of the Sibanye-Stillwater Internal Auditing department is to enhance and protect organizational value by providing risk-based, objective assurance, advice and insight.

It provides independent, objective assurance and consulting services designed to add value and improve the company's operations. It assists the organisation in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Internal Audit activity evaluates the adequacy and effectiveness of controls in responding to risks within the company's governance, operations and information systems.

Internal Audit Status and Independence

The organisational status of Sibanye-Stillwater Internal Audit (SSIA) function must be adequate in order to permit independence, objectivity and to ensure the accomplishment of its audit objectives.

The SSIA is established by the Board of Directors, and its responsibilities are defined by the Audit Committee. The Audit Committee decides on the Vice President Internal Audit (VPIA) appointment, removal and is responsible for his/her performance appraisal. The VPIA reports administratively to the Group Chief Financial Officer (CFO) and reports functionally to the Chairperson of the Audit Committee. The VPIA has unlimited access to all officers of the company including the Chairman of the Board, the Audit Committee, Group Chief Financial Officer and the Group Chief Executive Officer.

Independence is protected by ensuring that SSIA:

- Is free from control or undue influence in the selection and application of audit techniques, procedures, and programs;
- Is not unduly influenced or controlled in the determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination.

- Is not unduly influenced in the selection of areas, activities, personal relationships, and managerial policies to be examined.
- Objectivity is an essential element of independence. The independence of the department may be compromised if the Internal Auditor participated directly in the preparation or reconstruction of accounting systems, data, or records. Thus members of SSIA will be used only in an advisory capacity in the design, installation or operation of control procedures.
- In terms of the governance structure, the HOD of Risk Management reports to the VPIA and the HOD of Sarbanes Oxley (SOX) reports administratively to the VPIA. To ensure independence of the Internal Audit function, safeguards have been implemented which are noted in this section and under responsibilities. The effectiveness Internal Audits will be performed by an outsourced company for:
 - The enterprise wide risk management; and
 - Insurance process.

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Any staff transferred or seconded into the Internal Audit function or vice versa from other departments should not review any aspects of their previous department's work until an interval of time (6 months) has passed.

Any potential impairment to independence or objectivity will be reported to the Chairperson of the Audit Committee.

The Audit Committee ensures that the Internal Audit function is subjected to an independent quality review as and when the Audit Committee determines it appropriate as a measure to ensure that the function remains effective.

Authority

The VPIA and staff of SSIA are authorised to:

- Have full and unrestricted access to all functions, records (manual or electronic), property, and personnel of the Company, subsidiaries and third-parties;
- Have full and free access to the Audit Committee, Risk Committee and Chairman of the Board;
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in divisions of the Company and its subsidiaries where they perform audits, as well as other specialised services from within or outside the company.

Documents and information given to internal auditors during a review will be handled in the same prudent manner as by those employees normally accountable for them.

Responsibilities

Internal Audit assurance is provided through applying the Core Principles, Standards for the Professional Practice of Internal Auditing and the Code of Ethics of The Institute of Internal Auditors (IIA).

The VPIA is ultimately responsible for the work performed by all staff members of the Internal Audit function. This includes, but is not limited to, the establishment of the scope of activities to be carried out in the different departments, the tools and methodologies to be followed, procedures and standards.

The VPIA is responsible for providing overall direction and control of the Internal Audit program to ensure that:

- governance processes including ethics, especially the 'tone at the top' is evaluated;
- an objective assessment is provided by an external party on the effectiveness of risk management, which is used for the overall assessment at year end;
- an objective assessment is provided on the effectiveness of the internal control framework and risk management;

- business processes and associated controls are systematically analysed and evaluated; and
- management, the Audit Committee and ultimately the Board of Directors retain full responsibility for ensuring that Sibanye-Stillwater maintains an appropriate framework of controls to reduce risks to an acceptable level.

The VPIA is also responsible for ensuring that the value of assurance activities is achieved through leveraging the alignment of the Risk Management and SOX Departments.

Therefore the Head of SOX administratively reports into the VPIA. The Head of SOX reports functionally into the Chairperson of the Audit Committee and has a mandate detailing the accountabilities and responsibilities for this function.

The Head of Risk reports into the VPIA as this provides the integrated oversight which enhances the value of the enterprise risk management, governance and internal audit functions. The Risk Management function has a separate Charter which defines the Enterprise Risk Management roles and responsibilities.

Management also has the responsibility and accountability for addressing weaknesses and inefficiencies and for taking the necessary corrective action. Other management responsibilities include:

- To play an active and contributory role in establishing the Risk Profile and Audit Coverage Plan for Sibanye-Stillwater; and
- To inform the VPIA and appropriate Executive/Senior Management of any significant internal control weaknesses, thefts, frauds, defalcations, unauthorised transactions, accounting breakdowns, material stock shortages, major bad debts etc. Significant matters will be reported at the Audit Committee meetings.

Accountabilities

The VPIA and staff of the Internal Auditing department have accountability to:

- Provide assurance that the company operates in a responsible manner.
- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval.
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee.
- Maintain professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Establish a quality assurance program by which the VPIA assures the operation of Internal Auditing activities.
- Perform consulting services, beyond Internal Auditing assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design recommendation, training, and advisory services.
- Appraise the efficiency and effectiveness of the operations in performing their functions.
- Identify opportunities for efficiency and effectiveness of operations.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion. (Refer paragraph re 'System Planning and Development').
- Issue quarterly reports to the Audit Committee and management as well as summarised results of audit activities. Report significant issues related to the processes for controlling the activities of the organisation and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Keep the Audit Committee informed of emerging trends and successful practices in Internal Auditing.
- Provide a list of significant measurement goals and results to the Audit Committee.
- Provide a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.
- Investigations of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.

- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the company at a reasonable overall cost.

Scope of Internal Audit Work

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's system of internal control and the quality of performance in carrying out assigned responsibilities. It includes:

- Reviewing the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information.
- Reviewing the systems established to assess compliance with those policies, plans, procedures, legislation, and regulations that could have a significant impact on operations.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets in order to provide management with reasonable assurance that assets are protected against loss that could result from fire, theft, other improper or illegal activities, or exposure to the elements.
- Reviewing and appraising the economy and efficiency with which resources are employed. In this context, Internal Auditing evaluates whether operating standards have been established for measuring economy and efficiency; whether operating standards are understood and are being met; whether deviations from operating standards are identified, analysed and communicated to those responsible for corrective action; and whether effective corrective action has been taken.
- Reviewing operations to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned.
- Providing consultation and other services to Management as need be, e.g. forensic audit services, IT auditing services, risk management services.

Management cannot place any restrictions on the scope of the audits. However, it is recognised that Management and the Audit Committee provide general direction as to the scope of work and the activities to be audited, and may request Internal Audit to carry-out special reviews, forensic audits or ad hoc audits.

In accordance with the recommendation of the Report on King IV:

- Internal Audit must provide a written assessment regarding the effectiveness of the system of internal controls. The assessment of risk management will be based on the external providers opinion and this will be used by Internal Audit for the assessment. This enables the board to report on the effectiveness of the system of internal controls in the integrated report; and
- Internal Audit must conduct a documented review and opinion of the key financial reporting controls in identified financial systems and processes every year. This must be submitted to the Audit Committee to enable it to formulate its comment to be included in the annual financial statement in terms of section 94(7)(f)(iii) and to make a submission to the board in terms of section 94(7)(h) of the Companies Act, 2008. The current SOX initiatives should be used for this process, where appropriate.

Opportunities for improving management control, profitability, and the company's image may be identified during audits. This will be communicated to the appropriate level of management.

All requests for Internal Audit to provide assurance on activities that have not been scheduled or included on the Audit Plan is to be categorised as Ad-Hoc activities and is to be channelled through the VPIA for consideration to be performed. The VPIA will request approval from the Chairman of the Audit Committee, in cases where the ad-hoc activity may exceed ten percent of the annual available man-days. It is envisaged that this process will control the utilisation of the Internal Audit resources and ensure that the resources are deployed on High risk issues that impact the Strategy, Governance, Sustainability and Operational issues of Sibanye-Stillwater.

The quarterly allocation of Internal Audit resources to the different possible activities is established on the basis of an approved annual Internal Audit plan. The Audit Committee is responsible for approving the plan based on the agreed scope of work that needs to be performed. The Internal Audit plan for the quarter is updated with changes required and presented for approval at the Audit Committee.

Limitation of scope

Any attempted scope limitation of Internal Audit activities by management must be reported, preferably in writing, to the CFO and to the Audit Committee. The question of whether an action from management in fact constitutes a scope limitation is at the judgment of the VPIA. Except in cases of suspected fraud, the CFO and the Audit Committee may decide to accept a limitation of scope. In such instances, the VPIA should evaluate from time to time whether the circumstances surrounding the scope limitation are still valid and whether the scope limitation needs to be reported again to the CFO and the Audit Committee for their renewed consideration.

Reporting of Internal Audit Results

Recommendations on standards of control to apply to a specific activity shall be included in the written report of audit findings and opinions that is given to management for review and implementation.

A written report will be prepared and issued, in draft format, following the conclusion of each audit and will be addressed to the management of the activity or area audited to verify the accuracy of the matters reported on.

The auditee has an obligation to respond, within reasonable time limits established by the Internal Auditor (usually 3 working days), to the Internal Audit findings and recommendations and to specify the proposed action as well as the timetable for implementation.

An exit meeting between Internal Audit and the auditee to discuss the audit findings and recommendations will form part of the audit process.

The VPIA or his/her delegated auditor will issue the final audit report, within a reasonable time after receiving the written management responses, and will distribute the report or a summarised version thereof, as applicable, to:

- Original: the Auditee(s)
- Copies to: (At the discretion of the VPIA)
 - Audit Committee,
 - Chief Financial Officer,
 - Executive Vice President, Senior Vice Presidents and Vice Presidents,

- Vice President Finance,
- External Auditors, and
- Others, as appropriate.

System Planning and Development

The Internal Audit Department will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer-based and manual systems to ensure that:

- Adequate controls are incorporated in the system;
- A thorough testing of the system is performed at appropriate stages;
- System documentation is complete and accurate; and
- The intended purpose and objective of the system implementation or modification has been met.

The Internal Auditor participating in such a review should ensure that the extent of participation does not affect independence, thus suggested audit trails or other controls will be transmitted through formal correspondence.

Responsibility for the Detection of Errors or Irregularities

The Internal Auditor has a professional responsibility to conduct reviews with an attitude of professional scepticism, recognising that the application of Internal Auditing procedures may produce evidential matter indicating the possibility of errors or irregularities.

Deterrence of fraud is however the responsibility of management. Internal Audit is responsible for examining and evaluating the adequacy and the effectiveness of actions taken to fulfil this obligation. Internal Auditors should have sufficient knowledge of fraud to be able to identify indicators that fraud might have occurred. If significant control weaknesses are detected, additional tests conducted by Internal Auditors should include tests directed towards the identification of other indicators of fraud. Internal Auditors are not expected to have knowledge equivalent to that of a person whose primary responsibility is to detect and investigate fraud. Internal Auditing procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Internal Auditing will assist in the investigation of fraud in order to:

- Determine if controls need to be implemented or strengthened,
- Design audit tests to help disclose the existence of similar frauds in the future.

The Internal Audit Department shall be notified in all cases where the discovery of circumstances suggest a reasonable possibility that assets have, or are thought to have been lost through defalcation or other security breaches in the financial and operating systems. The Internal Audit Department will perform sufficient tests to identify the weaknesses in financial and operating procedures, both automated and manual, which permitted the loss and evaluate the impact the weaknesses have with respect to other activities of the organisation. In addition, the Internal Audit Department will recommend improvements to correct the weaknesses and incorporate appropriate tests in future audits to disclose the existence of similar weaknesses in other areas of the organisation.

Personnel

The VPIA is ultimately responsible for the work performed by all staff members of the Internal Audit function. This includes, decisions regarding the headcount of the function, required skills, educational levels, experience etc. for recruitment into the function, decisions on the possible outsourcing or co-sourcing of capacity, etc.

The ultimate quality of the Internal Audit Department's performance is directly related to the quality of the people employed. The Internal Audit function should be directed by and staffed with qualified and competent individuals.

Minimum qualifications for each position within the audit function have been established; however, additional experience, training, specialised skills, as well as intelligence, adaptability, promotability, an inquiring mind, analytical ability, good business judgment and an ability to communicate with individuals should be considered in the employment process.

The VPIA should report annually to the Chairman and/or a designated representative and the Audit Committee as to the effectiveness of the present staff in fulfilling the stated objective of the Internal Audit Department.

Relationship with External Auditors

Internal Audit co-ordinates its work with that of the other assurance providers. The external auditors must be consulted in determining the activities of Internal Audit in order to minimise duplication of audit effort. This may involve:

- periodic meetings to discuss the planned activities;
- the exchange of audit work papers including systems documentation;
- the exchange of management letters;
- the forming of joint teams where appropriate;
- Internal Audit carrying out certain audit work;
- evaluating the quality of the services rendered to the company by the external auditors; and
- other aspects of the relationship between the organisation and the external auditors.

Internal Audit must make an assessment of the adequacy of the combined assurance approach adopted by the company. This assessment includes the adequacy of risks covered by the different assurance providers and the reliability of the assurance provided.

Assessment of Effectiveness of Internal Audit Function

The Audit Committee should annually assess the effectiveness of the Internal Audit function. Internal Audit should be assessed against the following criteria:

- Achievement of the annual Internal Audit plan;
- Compliance with IIA's core principles and standards inclusive of quality assurance assessments on the level of compliance achieved;
- Achievement of reporting protocols through management to the Audit Committee;
- Timeliness of reporting of findings and activities;
- Responsiveness to changing business/operational environment;
- Management's acceptance of the Internal Audit findings;

- Quality and relevance of the annual assessment reports;
- Level of cooperation and interaction with other assurance providers within the agreed combined assurance approach;
- Maintenance of adequate staffing/sourcing levels to meet the requirements of this charter; and
- Meeting the budget allocated to Internal Audit.

Review of Charter

This charter must be updated at least once a year but more frequently as circumstances may necessitate. It should be approved by the Board and endorsed by the Audit Committee, in order to formally establish the authority of the Internal Audit function.