AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2022

The information below constitutes the report of the Audit, Risk and Compliance Committee ("ARCC" or "the committee").

The ARCC comprises three independent non-executive directors: Johnson Njeke (Chair), Ekta Singh-Bushell and Rick Medlock.

The following officers are invited to attend all meetings of the ARCC:

- Chair of the Board, Maya Makanjee
- Chief Executive Officer, Jens Montanana
- Chief Financial Officer, Ivan Dittrich
- Chief Risk Officer, Simon Morris
- Chief Audit Executive, Marcos Bedendo (internal audit)
- external audit partner

The external and internal auditors have unrestricted access to the ARCC and also meet with the committee members, without management present, at least once a year.

The committee meets at least four times a year. In the year under review and subsequently up to the date of this report, the committee has met six times, with all members in attendance. The Chair of the committee reports on the committee's activities at each Board meeting.

The committee operates within defined terms of reference as set out in its charter and the authority granted to it by the Board. The charter is reviewed annually to confirm compliance with the King IV* Code and the Companies Act and to ensure the incorporation of best practice developments.

The charter is available at **www.datatec.com.**

The committee is satisfied that it has met and complied with its legal and regulatory responsibilities for the year under review and to the date of this report with respect to its terms of reference as set out in its charter.

Each of Datatec's main operating divisions has an audit, risk and compliance committee, chaired by the Group Chief Financial Officer, Ivan Dittrich. Reports from these committees are submitted to the Datatec ARCC, which retains all the functions of an audit committee in respect of Datatec's subsidiaries.

In terms of the Companies Act and the JSE Listings Requirements, the committee has considered and satisfied itself of the appropriateness of the expertise and experience of Mr Dittrich. Further, the committee considers the appropriateness of the expertise and adequacy of resources of the Group's finance function and the experience of senior management in the finance function and the risk management organisation. For the year under review, the committee is satisfied that the Group has established appropriate financial reporting procedures and controls, and that those procedures and controls are operating effectively.

The committee is responsible for approving the external auditor's fees. It oversees the Company's policy and controls that address the provision of non-audit services by the external auditor, and the nature and extent of such services rendered during the financial year. This contributes to maintaining the external auditor's independence.

The committee reviews the activities and effectiveness of the Group's internal audit function and annually reviews the internal audit charter and recommends it to the Board. The ARCC receives reports from the Chief Audit Executive at each of its meetings and reviews the progress of the internal audit programme, results and findings from internal audit work, and actions taken by management to resolve issues in a timely manner.

The ARCC assists the Board in reviewing the risk management process and significant risks facing the Group. The committee reviews the Group's risk strategy with the executive directors and senior management and oversees the Group's use of recognised risk management and internal control models and frameworks to maintain a sound system of risk management and internal control. Combined assurance processes are in place throughout the Group to provide the committee with internal management assurance and external assurance from a range of assurance providers, including the internal auditor. The ARCC is satisfied that the appropriate processes are in place, including effective combined assurance, to enable the Board to make an objective assessment of the Group's system of internal controls and risk management.

The committee is closely involved in the JSE's proactive monitoring of annual financial statements. It reviews the annual report issued by the JSE on this subject and related information and ensures that all the comments by the JSE are taken into consideration in its review of the Group's financial information.

The committee is tasked with reviewing the interim and annual financial statements and Integrated and Annual Reports. The ARCC recommended the annual financial statements for the year ended 28 February 2022 for approval to the Board. The Board has subsequently approved the annual financial statements, which will be published on the Company's website and presented at the forthcoming AGM.

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT
FOR THE YEAR ENDED 28 FEBRUARY 2022

GOING CONCERN
The Board has satisfied itself that the Group has adequate resources to continue in operation for the foreseeable future.

Refer to the directors' report for further information on going concern for the Group.

KEY SOURCES OF ESTIMATION UNCERTAINTY
The results and statement of financial position presented in the annual financial statements point to many areas where key assumptions concerning the future, and other key areas of estimation included in the Group's annual financial statements, pose a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

These are outlined in the notes to the annual financial statements. The committee has considered in particular the qualitative and quantitative aspects of information presented in the statement of financial position and other notes that contain sources of estimation and uncertainty in the following areas:
- Estimates made in determining the recoverable amount of goodwill included in the statement of financial position. This is considered to be a key audit matter. Refer to Note 7– Goodwill for further discussion of the methodology and rationale for selecting these inputs to management's estimations
- Estimates made in determining the probability of future taxable income justifying the recognition of deferred tax assets
- Estimates in determining the expense related to cash-and-equity-settled share-based payments from the various share schemes across the Group
- Estimates made in determining the amount or timing relating to restructuring, legal claims, taxes, pension and dilapidation obligations
- Estimates made when measuring expected credit losses
- Estimates and judgements in determining uncertain tax provisions regarding the amounts that may eventually become payable. Refer to Note 29 – Contingent liabilities, guarantees and litigation
- Estimates made in determining the level of provision required for obsolete inventory

In making its assessment in each of the above areas, the committee examined the external auditor's report and questioned senior management in arriving at their conclusions.

Based on their review of the underlying issues and assumptions, the committee considers the accounting treatment for the above to be appropriate.

CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES
Agent vs principal
In the process of applying the Group's accounting policies, the directors made a judgement in determining whether the Group is acting as a principal or as an agent. When deciding the most appropriate basis for presenting revenue or related costs, both legal form and substance of the agreement between the Group and the counterparty are reviewed to determine each party's respective role in the transaction.

Multi-year contract revenue recognition
The Group enters into multi-year contract arrangements, predominantly for the sale of software licences, software-as-a-service and maintenance products which allow for periodic billing to the customer over the term of the arrangement. The terms offered to customers on these deferred billing plans include back-to-back arrangements where the Group benefits from a similar billing

profile from its vendors, as well as asynchronous arrangements. The contracts are non-cancellable by the Group or the customer other than in specific circumstances. The assessment of when revenue should be recognised in these arrangements requires considerable judgement of the individual factors.

In prior years, despite the contractual non-cancellable clause, the Group allowed annual cancellation for no compensation by customers, which indicated that enforceable rights and obligations would likely not exist for the entire stated term of the contracts. The Group's practice to accept early cancellations and obtain compensations or price concessions in return from the vendor was an indication that, in substance, the customer had an implicit termination right to cancel the contract after one year. Therefore, only one year of contact revenue at a time was recognised. In the current year, based on management's experience and decision to no longer allow cancellation, management has determined that sufficient evidence is now available, these contracts will not be cancelled. It is management's judgement that revenue is therefore recognised at the time of initial delivery which has been determined is when the Group's performance obligation under the terms of the arrangement is met. This change has been accounted for as a contract modification.

Amounts receivable for multi-year contracts and the associated accrued costs of the contract from the vendor are recorded on the statement of financial position in line with IFRS 15. The current portion of amounts receivable is included in Note 16.1 – Trade receivables and the non-current portion is included in Note 19.1 – Other non-current assets, contract assets and contract costs; while the current portion of accrued costs is included in Note 23 – Trade and other payables and the non-current portion is included in Other non-current liabilities. The amounts are recorded gross on the statement of financial position (discounted to present value where material), since the Group is contractually entitled to, and obligated for, the gross cash flows and no contractual right of set-off exists.

Judgements in determining if financial assets should be derecognised
The Group applies judgements in the determination of whether financial assets should be derecognised.

Judgement in determining the starting point of the tax rate reconciliation
The tax rate reconciliation uses the 28% South African statutory rate as a starting point. This is deemed to be a key management judgement, as described in more detail in Note 5 – Taxation.

MJ Njeke
Audit, Risk and Compliance Committee Chair

Sandton

23 May 2022