

REMGRO LIMITED AUDIT AND RISK COMMITTEE

TERMS OF REFERENCE

The Audit and Risk Committee ("**Committee**") is constituted as (i) a statutory committee in respect of its statutory duties in terms of the Companies Act, No. 71 of 2008 ("**Companies Act**"), which duties are listed in Appendix A hereto, and (ii) a committee of the board of directors ("**Board**") of Remgro Limited ("**Remgro**") in respect of all other duties assigned to it.

The duties and responsibilities of Committee members as set out in these terms of reference are in addition to their duties and responsibilities as directors of Remgro. The deliberations of the Committee do not reduce the individual and collective responsibilities of Board members in regard to their fiduciary duties and responsibilities, and they must continue to exercise due care and judgment in accordance with their legal obligations (statutory and otherwise).

These terms of reference are subject to the provisions of the Companies Act, Remgro's Memorandum of Incorporation, the King IV Report on Corporate Governance for South Africa 2016, and any other applicable law or regulatory provision.

1. **Composition**

The Committee consists of at least three independent non-executive directors, elected by Remgro's shareholders, on recommendation by the Board at the annual general meeting of Remgro, who comply with the applicable requirements of the Companies Act. All members must have suitable financial literacy, skills and experience. Committee members collectively have sufficient qualifications and experience to fulfil their duties, including an understanding of the following: financial and sustainability reporting, internal financial controls, compliance, external audit processes, internal audit processes, corporate law, risk management, sustainability issues, information technology governance (as it relates to integrated reporting) and governance processes within Remgro. Committee members must keep up to date with developments affecting the required skill set.

The chairman of the Committee ("**Chairman**") is an independent non-executive director of Remgro (other than the chairman of the Board) elected by the Board. The Chairman may appoint another member of the Committee to act as chairman in his/her absence.

The Board must fill vacancies on the Committee within 40 business days after the vacancy arises. Such an appointment must be ratified by the shareholders of Remgro at the subsequent annual general meeting of the Company.

Committee members are appointed for a period of one year. Retiring members may be re-elected.

2. **Purpose and role**

The Committee has an independent role with accountability to both the Board and Remgro's shareholders. With regard to its non-statutory responsibilities, the Committee operates as an overseer and makes recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management.

The role of the Committee is to comply with responsibilities relating to accurate and timeous integrated and other external financial reporting, risk management, internal controls, accounting systems and information, accounting policy, internal audit, external audit, information technology systems, protection of assets and public reporting, and to monitor compliance with laws, rules, codes of conduct and standards, with recommendations to the Board. Regarding its risk function, the role of the Committee is to assist the Board to ensure

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that (i) Remgro implements an effective risk management policy and plan that will enhance Remgro's ability to achieve its strategic objectives, and (ii) disclosure regarding risk is comprehensive, timely and relevant.

3. **Application**

The responsibilities set out above apply in respect of Remgro and its wholly-owned subsidiaries ("**Group**"), mindful of the responsibilities of audit committees of listed and unlisted subsidiaries. The Committee's responsibilities in respect of associated companies are limited to exercising reasonable care that the audit committees of such companies accept similar responsibilities to report correctly and to monitor their activities in a suitable way.

4. **Authority**

The Committee acts in accordance with its statutory duties and in terms of the delegated authority of the Board as recorded in these terms of reference. It has the power to investigate any activity within the scope of its terms of reference.

The Committee, in the fulfilment of its duties, may call upon the chairmen of the other Board committees, any of the executive directors, officers of Remgro, the company secretary of Remgro ("**Company Secretary**") or any other appropriate persons to provide it with information, at Remgro's cost.

The Committee has unlimited access to Remgro's records, facilities and any other resources necessary to discharge its duties and responsibilities.

The Committee may form, and delegate authority to, subcommittees and may delegate authority to one or more designated members of the Committee.

The Committee has the right to obtain independent, external professional advice to assist with the execution of its duties, at Remgro's cost.

The Committee has decision-making authority in respect of its statutory duties and is accountable in this respect to both the Board and Remgro's shareholders. The Committee makes recommendations to the Board in respect of all responsibilities delegated to it by the Board outside of its statutory duties.

5. **Duties and responsibilities**

The duties and responsibilities of the Committee include, but are not limited, to the following:

5.1 General

- Reporting (through, *inter alia*, providing minutes of meetings) to the Board in respect of:
 - Its overall role and associated responsibilities and functions.
 - Its composition, including each member's qualifications and experience.
 - Any external advisers or invitees who regularly attend meetings of the Committee.
 - Key areas of focus during the reporting period.
 - The number of meetings held during the reporting period and attendance at those meetings.
 - Whether the Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.
- To make submissions to the Board on any matter concerning the Company's accounting policies, financial control, records and reporting.

5.2 Internal financial controls and accounting systems

- Evaluate policies and procedures regarding internal controls and whether management implements an appropriate culture of control.
- Evaluate the adequacy of and adherence to systems and control measures.
- Evaluation of accounting policy and changes in accounting policy for appropriateness.
- Review and evaluate the expertise, resources and experience of Remgro's financial function (including the chief financial officer) on an annual basis and disclose the results thereof in the annual integrated report.
- Evaluate financial reporting standards for a public company, as set out in the Companies Act.

5.3 Integrated reporting

- Oversee integrated reporting.
- Review and consider Remgro's annual integrated report, annual financial statements, interim reports, summarised integrated information, interim and final results announcements and other intended releases of price-sensitive information, trading statements and similar documents, prior to submission thereof to the Board for approval.
- Report to the Remgro shareholders regarding the following:
 - the execution of the Committee's statutory duties;
 - whether the Committee is satisfied with the independence of the external auditors;
 - the Committee's opinion regarding the financial statements and accounting policy;
 - the effectiveness of internal financial controls; and
 - the Committee's role and details of its composition, number of meetings and activities.
- Satisfy itself that the external auditor of the Company is independent of the Company, as determined by the Committee in terms of the Companies Act and any other applicable legislation. Specifically, in respect of:
 - The 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 relevant financial year.
 - The tenure of the relevant external audit firm and, in the event of the firm having been involved in a merger or acquisition, including the tenure of the predecessor firms.
 - The rotation of the designated external audit partner of the Company.
 - Significant changes in the management of the Company during the external audit firm's tenure which may mitigate the attendant risk of familiarity between the external auditor and management of the Company.
- Consider the frequency for issuing interim results.
- Consider all factors and risks that may impact the integrity of the annual integrated report, including (i) factors that may cause management to present a misleading picture; (ii) significant judgements and reporting decisions made by management; (iii) the monitoring and enforcement actions taken against Remgro by regulatory bodies; (iv) any evidence which brings into question any previously published information; and (v) forward-looking statements.
- Comment on the financial statements, accounting practices and effectiveness of internal financial controls in the annual financial statements.
- Take into account information technology to the extent that it relates to financial reporting and Remgro as a going concern, including the effectiveness, accuracy and reliability of technology used in the reporting process.
- General overseeing and reporting on sustainability issues, and the review of information regarding sustainability issues in the annual integrated report, to ensure that it is reliable and does not conflict with the financial information.

- Make recommendations to the Board (if necessary) regarding the engagement of an external assurance provider regarding material sustainability issues.
- Consider whether the external auditors should implement procedures to provide assurance to the Board regarding interim results.
- Review summarised integrated information in order to confirm that it presents a balanced view.
- Appoint external consultants to provide assurance regarding summarised integrated information, when required.
- Compliance with laws and the regulations of applicable securities exchanges.
- Evaluate adjusted and unadjusted audit differences.
- Review estimates and provisions used in profit determination and investigate the reasonableness of the presentation thereof.
- Determine compliance with International Financial Reporting Standards as well as changes in accounting policy.
- Consider extraordinary or abnormal disclosure.
- Evaluate effects of any fraud or irregularities.
- Evaluate quality of earnings.
- Review valuations of unlisted investments.
- Evaluate any legal and tax aspects that may influence reporting.
- Evaluate going concern principle and assumptions on which it is based.
- Evaluate abnormal transactions and items which may be contentious.
- Evaluate appropriateness of disclosures of events subsequent to the reporting date.
- Evaluate notice and proposed resolutions for the annual general meeting.

The Committee must also evaluate the following reports and presentations in order to support the abovementioned duties:

- An annual presentation comparing risk management methods with international standards and practices.
- An annual presentation of the Remgro risk register in order to evaluate risk elements. Presentations regarding the risk registers of selected investments may be requested.
- A report interpreting the Group's risk appetite (as determined by the Board) for risk management purposes, together with reported losses and insurance claims.
- A report or presentation regarding the insurance cover in place, with specific emphasis on uninsured risks.
- Internal audit reports on the following risks:
 - services rendered by Remgro Management Services Limited ("**Remgro Management Services**"), specifically financial administration risks;
 - treasury services (V&R Management Services as well as Remgro Management Services, including FAIS compliance);
 - treasury services and minutes of treasury committee meetings;
 - legal compliance process;
 - prudential process to support investment decisions;
 - contract administration;
 - reputational risk (communication policy and corporate structure);
 - black empowerment and employment equity;
 - FTSE/JSE Responsible Investment Index Series and corporate standards (price-sensitive information);
 - implementation of share repurchase transactions and specific Board decisions;
 - the Group's business continuity plan;
 - computer and information technology risks and information security;
 - protection of assets (computers, cash, art and intellectual capital);
 - political support policy;
 - compliance with King Governance Reports;
 - integrated assurance plan;
 - compliance with core policies:
 - insider trading policy;
 - policy on declaration of interests and gift register;

- risk management policy;
- technology and information policy;
- internal audit mandate;
- legal compliance policy;
- ethics policy;
- business rescue policy;
- stakeholder policy;
- social media policy
- fraud prevention, detection and response policy;
- safety, health and environmental management policy;
- treasury mandate, policy and procedures;
- tax policy.

5.4 Combined assurance

- Ensure that a combined assurance model is implemented in order to apply a coordinated approach to all assurance activities.
- Ensure that the combined assurance received is appropriate to address Remgro's significant risks, including technology and information risks.

5.5 Internal audit

- Approve internal audit plan.
- Oversee the internal audit.
- Ensure that the internal audit function is appropriately resourced and has an appropriate budget allocated to it.
- Appointment, evaluation and dismissal of the chief audit executive ("**CAE**"), who reports to the Committee.
- Approval of the internal risk-based audit plan.
- Evaluation of the internal audit function.
- Ensure that the internal audit function is subjected to an external, independent quality review, at least once every 5 years or as and when considered necessary by the Committee.
- Obtain an overall statement from internal audit as to the effectiveness of Remgro's governance, risks management and controls processes.
- Obtain confirmation from the CAE annually that the internal audit conforms to a recognised industry code of ethics.

5.6 External audit

- Oversee the external audit.
- Recommendation and nomination of an external auditor, which the Committee considers to be independent, for appointment by the shareholders.
- Disclose the Committee's views on audit quality with reference to audit quality indicators to the Board.
- Approval of the terms of appointment, including the fees, of the external auditor.
- Note the scope of the audit and approve additional audit procedures, if required.
- Address significant issues reported by the external auditor.
- Address any significant irregularities and ensure that a procedure is in place for the Committee to be notified of reportable irregularities, as set out in the Auditing Profession Act 26 of 2005, identified and reported by the external auditor.
- Express opinions on unresolved accounting or audit issues.
- Evaluate and monitor independence of the external auditor, and reporting thereon in the annual integrated report.
- Establish a policy on the nature and extent of non-audit services that may be provided by the external auditor.
- Prior approval of agreements for the provision of non-audit services by the external auditor.

- Evaluate effectiveness and quality of audit approach and methodology.
- Receive and evaluate audit reports.
- Ensure that appointment of the external auditor complies with the Companies Act and other applicable legislation.
- Ensure that audit partners rotate and that individuals do not act as auditor for more than 5 consecutive years.
- Ensure that the external auditor attends Remgro's annual general meeting.
- Ensure that a meeting is held with the external auditor not more than one month prior to the Board meeting for the approval of the annual financial results.
- Evaluate whether all significant investments were sufficiently audited.
- Discuss the qualified/unqualified opinion of the external auditor.

5.7 Risk management

- Exercise ongoing oversight of risk management and, in particular, oversee that it results in the following:
 - An assessment of risks and opportunities emanating from the triple context in which the Company operates (i.e. the economy, society and environment) and the capitals that the Company uses and affects (i.e. financial, manufactured, intellectual, human, social and relationship and natural).
 - An assessment of the potential upside, or opportunity, presented by risks with potentially negative effects on achieving organisational objectives.
 - An assessment of the Company's dependence on resources and relationships as represented by the various forms of capital.
 - The design and implementation of appropriate risk responses.
 - The establishment and implementation of business continuity arrangements that allow the Company to operate under conditions of volatility, and to withstand and recover from acute shocks.
 - The integration and embedding of risk management in the business activities and culture of the Company.
- Oversee the development and annual revision of Remgro's risk management policy and plan, for recommendation to the Board for approval.
- Monitor the implementation of the risk management policy and plan by way of risk management systems and processes.
- Ensure that the risk management plan is communicated to departmental heads and integrated in Remgro's day-to-day activities.
- Ensure the implementation of frameworks and methodologies to increase the possibility of foreseeing unpredictable risks.
- Oversee financial reporting risks, internal financial controls, fraud risks relating to financial reporting, and technology and information risks relating to financial reporting.
- Ensure that management considers and applies appropriate reactions to risk, and that they continually monitor risks.
- Evaluate the adequacy and effectiveness of Remgro's risk management function by reviewing the Risk, Opportunities, Technology and Information Governance Committee's minutes of meetings and verbal reporting.
- Make recommendations to the Board regarding the risk tolerance levels and risk appetite, and monitor that risk is managed within approved levels.
- Continually evaluate the effectiveness of risk management practices in the following categories:
 - liquidity risk;
 - country risk;
 - business and investment risk;
 - opportunity risk;
 - currency risk;
 - technology and information risks;
 - reputational risk;
 - compliance risk;

- pure risk (risk that cannot be hedged);
- financial administration risk;
- business continuity risk.
- Evaluate the extent and appropriateness of risk financing strategy.
- Evaluate the adequacy of procedures to timely identify new risks and opportunities.
- The establishment of a treasury committee, acting as a management committee reporting to the Risk, Opportunities, Technology and Information Governance Committee on risk related matters and reporting to the Committee on governance related matters.
 - The membership of the treasury committee is determined in conjunction with the Committee and consists of nominated Remgro executive directors and senior management.
 - The treasury committee's mandate includes the following:
 - treasury mandates (local and international);
 - liquidity risk;
 - investment and credit risk;
 - risk appetite and investment proceeds;
 - legal compliance;
 - risk financing;
 - commercial risk management and contracting.
- The establishment of a Risk, Opportunities, Technology and Information Governance Committee, acting as a sub-committee of the Committee:
 - The Risk, Opportunities, Technology and Information Governance committee consists of the chief financial officer (who acts a chairman), the head of internal audit (who acts as facilitator), the appointee in terms of section 16(2) of the Occupational Health and Safety Act 85 of 1993 and the heads of the Administration, Financial Services, Falconair, Guest Houses, Human Resources, Technology and Information, Investments, Invenfin, IPS, Properties, Secretarial Services, and Treasury Services departments.
 - The Risk, Opportunities, Technology and Information Governance committee's mandate includes, amongst other things, the following:
 - discussion of the risk management policy and plan;
 - operational risk register;
 - technology and information management;
 - legal compliance;
 - occupational health and safety.
- Monitor the implementation of Group procedures for, and evaluate the risks associated with a whistle blowing event.
- Report to the Board regarding the effectiveness of the risk management system and processes.
- Review reporting on risk management to be included in the annual integrated report, to ensure that it is comprehensive, timely and relevant.
- Consider and report to the Board the need to receive periodic independent assurance on the effectiveness of the Company's risk management.

5.8 Activities of wholly-owned subsidiaries

- Consider the nature and extent of internal audit and committee reports.
- Analyse risk registers.

5.9 Ethics and contingencies

Take cognisance of and consider actions, if necessary, in respect of:

- significant fraud or malpractices reported on investment levels;
- pending litigation and claims.

5.10 Other issues for the Committee's attention

- Legal requirements: determination and review thereof, and monitoring compliance therewith.
- Codes of conduct: determination and review thereof, monitoring compliance therewith and addressing instances of fraud or irregularities.
- Evaluate guarantees issued by Remgro.
- Regular self-evaluation of the Committee / annual evaluation of the Committee by the Board.
- Evaluate non-financial information disclosed in annual integrated report:
 - social;
 - environment;
 - ethics;
 - HIV/Aids;
 - black empowerment;
 - diversity.
- Evaluate the Committee's mandate on a regular basis.
- Report to the Board and, only in respect of the Committee's statutory duties, to the Remgro shareholders regarding the fulfilment of the Committee's duties.
- The Chairman attends Remgro's annual general meetings.
- The external and internal auditors have direct and unfettered access to Committee members.
- Take cognisance of the activities of the audit and risk committees of subsidiaries and associated companies, and review their minutes of meetings, to the extent possible.
- Tax policy: ensure a tax policy that is compliant with applicable laws, but that is also congruent with responsible corporate citizenship, and takes account of reputational repercussions.

6. **Meetings**

The Committee meets at least four times per year. The Chairman may convene additional meetings of the Committee at any time at his/her discretion if necessary for the Committee to fulfil its duties. Meetings may, with the approval of the Chairman, be held at the request of the external auditors, chief executive officer, chief financial officer, head of internal audit or other members of senior management, or at the request of the Board.

A quorum will consist of a majority of members.

If the Chairman is absent from a meeting, he/she will appoint a person to act as chairman at such meeting. If no such acting chairman is appointed, the members present must elect one of themselves to act as chairman.

The Company Secretary is the secretary of the Committee.

The Committee shall have the discretion to decide who, other than its members, may attend meetings of the Committee. The chief executive officer, chief financial officer and the head of internal audit must attend all meetings *ex officio*. These attendees do not count toward the quorum and are not entitled to vote at Committee meetings.

The Committee must have a meeting with the internal and external auditors, at which management is not present, at least once a year.

Committee members must attend all meetings of the Committee, unless prior apology, with reasons, has been submitted to the Chairman or the Company Secretary.

The Committee shall have an annual work plan to ensure that all relevant matters are covered by the agendas of the meetings planned for the year. The annual work plan must ensure proper coverage of the matters laid out in these terms of reference. The more critical

matters will need to be attended to each year, while other matters may be dealt with on a rotation basis over a three-year period. The number, timing, and length of meetings, and the agendas, are to be determined in accordance with the annual work plan.

The Chairman must take part in the process of determining agendas for Committee meetings, and may meet with the chief executive officer, chief financial officer, head of internal audit and/or the Company Secretary prior to Committee meetings to discuss important issues and to agree on agenda items. The current annual agenda items are set out in Appendix B.

A detailed agenda, together with supporting documentation, must be circulated to Committee members at least one week prior to each meeting. Committee members must be fully prepared for meetings in order to give appropriate and constructive input on matters discussed.

The Company Secretary shall keep appropriate records of all meetings of the Committee as well as minutes of the proceedings and all decisions made. The minutes must be completed as soon as reasonably possible after the meeting and circulated to the Chairman and Committee members for review by the inclusion thereof in the agenda for the next Committee meeting. The minutes must be formally approved by the Committee at its next scheduled meeting.

7. Evaluation

The effectiveness of the Committee is evaluated on an annual basis by way of a self-evaluation process and an evaluation by the Board.

These terms of reference were approved by the Board on 19 March 2019.

Statutory functions and duties of audit committees**2008 Companies Act**

1. Nominating a registered auditor who, in the opinion of the audit committee, is independent of the company for appointment as auditor of the company under section 90.
2. Determining the fees to be paid to the auditor and the auditor's terms of engagement.
3. Ensuring that the appointment of the auditor complies with the provisions of the Companies Act and any other legislation relating to the appointment of auditors.
4. Determining, subject to the provisions of Chapter 3 of the Companies Act, the nature and extent of any non-audit services that the auditor may provide to the company, or that the auditor must not provide to the company, or a related company.
5. Pre-approving any proposed agreement with the auditor for the provision of non-audit services to the company.
6. Preparing a report, to be included in the annual financial statements for that financial year, (i) describing how the audit committee carried out its functions; (ii) stating whether the audit committee is satisfied that the auditor was independent of the company; and (iii) commenting in any way the committee considers appropriate on the financial statements, the accounting practices and the internal financial control of the company.
7. Receiving and dealing appropriately with any concerns or complaints, whether from within or outside the company, or on its own initiative, relating to (i) the accounting practices and internal audit of the company; (ii) the content or auditing of the company's financial statements; (iii) the internal financial controls of the company; and (iv) any related matter.
8. Making submissions to the board on any matter concerning the company's accounting policies, financial control, records and reporting.
9. Performing other functions determined by the board, including the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the company.

Agenda items**June meeting:**

1. Investment company minutes
2. Accounting principles
3. Approval of external audit plan for current financial year
4. Risk management and internal audit report
5. Group risk register
6. Evaluation of financial function (including the chief financial officer)
7. Committee evaluation
8. Compliance

September meeting:

1. Investment company minutes
2. Directors valuations
3. English annual report (Afrikaans available on request)
4. Going concern statement
5. Afrikaans and English draft results announcements
6. Financial statements of foreign subsidiaries
7. External audit report (including tax aspects)
8. Risk management and internal audit report
9. Consideration of financial statements of wholly-owned subsidiaries
10. Evaluation of possible impairments
11. Evaluation of the appropriateness of the expertise and experience of the chief financial officer.
12. Guarantees, contingent liabilities and letters of comfort of the Remgro group.
13. Recommendation to Board and Shareholders for appointment of external auditors for next financial year.
14. Assessment of effectiveness of internal audit function.
15. Compliance
16. Obtain an overall statement from internal audit as to the effectiveness of Remgro's governance, risks management and controls processes.
17. Obtain confirmation from the CAE annually that the internal audit conforms to a recognised industry code of ethics.
18. Disclose the Committee's views on audit quality with reference to audit quality indicators to the Board.
19. Evaluation of external auditing team and audit quality.

January meeting:

1. Investment company minutes
2. Interim accounting principles for discussion
3. Risk management and internal audit report
4. Risk management presentation
5. Presentation comparing risk methodology with international standards and practices
6. Presentation on Remgro's risk register in order to evaluate risk elements
7. Insurance cover presentation
8. Compliance

March meeting:

1. Investment company minutes
2. Directors valuations
3. Afrikaans and English draft interim reports
4. Risk management and internal audit report
5. Going concern statement

6. Appointment of external auditors for audit of current financial year (including appointment of external auditors to provide assurance regarding summarised integrated information).
7. Compliance